

PUBLIC ACCOUNTS COMMITTEE (1968-69)

(FOURTH LOK SABHA)

FIFTY-SEVENTH REPORT

**Audit Report (Civil), 1968 relating to the Ministry of
Foreign Trade and Supply (Deptt. of Supply).]**



**LOK SABHA SECRETARIAT
NEW DELHI**

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| <u>Page</u> | <u>Para</u> | <u>Line</u> <u>Column</u> | <u>For</u> | <u>Read</u> |
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PART II*

Minutes of the sittings of the Public Accounts Committee held on :—

19-7-1968 (F N)

19-7-1968 (A N)

7-3-1969 (A N)

*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

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(1968-69)

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Shri K. Seshadri—*Under Secretary.*

*Declared elected on the 19th August, 1968 vice Shri M. M. Dharia resigned from the Committee.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this **Fifty-Seventh Report (Fourth Lok Sabha)** on Audit Report (Civil), 1968, relating to the Department of Supply.

2. The Appropriation Accounts (Civil) 1966-67 together with the Audit Report (Civil), 1968, was laid on the Table of the House on the 3rd April, 1968. The Committee examined the paragraphs relating to the Ministry of Works, Housing & Supply (now redesignated as the Ministry of Foreign Trade and Supply)—Department of Supply at their sittings held on the 19th July, 1968 (F.N. and A.N.). The Committee considered and finalised this Report at their sitting held on the 7th March, 1969 (A.N.). Minutes of these sittings of the Committee form Part II* of the Report.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report. For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of these accounts by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the Officers of the Department of Supply for the co-operation extended by them in giving information to the Committee.

NEW DELHI;
March 7, 1969.
Phalguna 16, 1890 (S).

M. R. MASANI,
Chairman,
Public Accounts Committee.

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I

MINISTRY OF WORKS, HOUSING AND SUPPLY

(DEPARTMENT OF SUPPLY)

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS

Purchase of unsuitable air compressors

Audit Paragraph

The Director General, Border Roads, placed an indent on the Director General, Supplies and Disposals, in April, 1964, for procurement along with maintenance spares, of 152 air compressors capable of working 3 rock drills of 48 lbs. at 10,000 feet altitude. The specification was changed in October, 1964, to include air compressors of 365—380 CFM capacity and the quantity was also reduced to 127. The estimated cost was Rs. 79 lakhs. The offers received in response to the tenders invited by the Director General, Supplies and Disposals, were examined in February, 1965, by a technical committee which included a representative of the Director General, Border Roads. The lowest offer, technically acceptable, was found by the Committee to have the following drawbacks:

- (i) the firm had not sold any item of this equipment earlier and they did not have any experience of performance of this equipment.
- (ii) the firm was importing for assembly. C.K.D. packs for equipment of capacity (315 CFM) lower than that required by the Director General, Border Roads.

1.2. The representatives of the Director General, Supplies and Disposals, also expressed inability to take responsibility for the performance of the equipment at high altitude, and advised against the risk of placing the entire order on the firm and suggested that only part purchase be made on an experimental basis. The Director General, Border Roads, also suggested that the equipment be tested outside the premises of the firm before purchase.

1.3. No further tests were, however, conducted, but in August, 1965, a contract was placed by the Director General, Supplies and Disposals, with the lowest tenderer for all the 127 air compressors, and maintenance spares, at a cost of Rs. 75 lakhs. The air compressors were to be supplied by October, 1966, and the spares by September, 1967. The firm supplied only 96 air compressors costing

Rs. 50 lakhs during October, 1965—October, 1966 and the maintenance spares by September, 1967. In the meantime, soon after receipt, many compressors developed defects and according to the users,

- (i) while the performance of the equipment was satisfactory in ordinary climatic conditions, it was not fit for use in high altitudes;
- (ii) the compressors did not take full load of 3 rock drills of 48 lbs. at 10,000 feet on sustained running and could be utilised generally with only 2 drills.

1.4. Supply of the remaining 31 compressors was, therefore, suspended on 31st October, 1966. Of the 96 compressors received, 26 have developed major defects some of which are recurring. Efforts made by the supplier to rectify these working defects in the compressors have not been fruitful reportedly due to some inherent design/manufacturing defects in them.

[Paragraph No. 90, Audit Report (Civil), 1968]

1.5. The Committee pointed out that an indent for 152 air compressors was placed by the Director General, Border Roads with the Director General, Supplies and Disposals in April, 1964 and enquired when tenders were invited. The representatives of the Department of Supply stated that a tender enquiry was issued in the same month, but that it was decided in September, 1964 that it should be scrapped. In response to further questions from the Committee, they said that the enquiry was scrapped for the following reasons. The indent received did not specify whether the compressors should be of reciprocatory or rotary type. Based on the reference given in the indent to a previous purchase, the tender enquiry was issued for rotary compressors. However, the offer of one of the tenderers for reciprocatory compressors was found technically suitable. One of the firms which had quoted for the rotary type, represented that it would not be correct to accept the reciprocatory type after the Department had gone out on tender for the rotary type. Besides, the Director General, Border Roads also pointed out that the scope of the tender enquiry had been circumscribed, by specifying only the rotary type in the tender invitation. He also stated that his organisation had received some foreign equipment and that therefore his requirements were being reassessed. The tender enquiry was therefore scrapped.

1.6. The Committee drew attention to the orders ultimately placed by the Director General, Supplies and Disposals with a firm in

August, 1965 on the basis of the revised requirements communicated by the Director General, Border Roads in October, 1964. They enquired why the orders were placed with the firm when, according to a Technical Committee which examined their offer, the firm did not have experience of supply of the type of compressors ordered. Besides, the Committee pointed out that the Technical Committee had also stated that, against the capacity of 365 CFM claimed for the compressors by the firm, they were importing C.K.D. packs for equipment of a lower capacity, i.e., for 315 CFM. The witness stated that the opinion referred to by the Committee was "expressed by the Chairman of the Technical Committee and not by the Committee as such." So far as the question of lack of experience of the firm with the equipment was concerned, the firm did indeed originally state in a letter dated 29th January 1965, that they had not supplied compressors of this size. "The remarks of the Chairman of the Technical Committee were obviously based on this letter. The Inspection Wing of the Director General, Supplies and Disposals, however, pointed out that the firm had supplied a number of 350 CFM compressors. When a further reference was made to the firm, they stated that they had supplied 10 sets of 350 CFM against a D.G.S. & D. Rate Contract. In regard to the other point that the firm did not have the capacity to supply compressors of 365 CFM as they had only been importing equipment of 315 CFM capacity in CKD condition, the Committee were told that "there is nothing in Director General, Supplies and Disposals to show that the firm was importing CKD packs for 315 CFM compressors only and it is, therefore, not known on what basis the Chairman made this statement.....the firm had been supplying compressors of 350 CFM and 500 CFM size and, therefore, they must have been importing necessary components for this purpose.....the firm was licensed for the manufacture of compressors up to 500 CFM." A copy of the Technical Committee's report was furnished to the Committee by the Department. The Committee notice therefrom that the Chairman of the Technical Committee had expressed reservations about the firm's compressors having a capacity of 350 CFM on the basis of "details obtained from Director General (Technical Development)" which showed that "CKD packs were being imported by this firm for 315 CFM compressors but no CKD packs were imported for 350 or 365 CFM sets."

1.7. Taking up the question of the capacity of the compressors, the Committee pointed out that the original indent of April, 1964 specified that the compressors should take a load of 3 rock drills of 48 lbs. at a height of 10,000 ft., but that this was omitted by the Director General, Border Roads while communicating his revised require-

ments in October, 1964. The Committee were told that "The consumption of 48 lbs. rock drills differs from make to make. Further, the tenderers who offered in response to the first tender enquiry had given varying figures for air consumption of rock drills of 48 lbs. In order to remove any doubts in the minds of tenderers about Director General, Border Roads' exact requirements and to obtain wider range of competition and more competitive prices, it was decided by him in consultation with the Director General, Supplies and Disposals to revise the specification giving reference only to free air delivery without reference to use of rock drills."

1.8. The Committee notice from copies of correspondence furnished by the Department reproduced at Appendix I that the firm had in their tender originally given the capacity of the compressor as 350 CFM. However, after the tenders were opened the capacity was changed by them from 350 CFM to 365* CFM and the same compressors were ultimately accepted. According to the Director General, Border Roads, who specifically drew the attention of the Director General, Supplies and Disposals to this point "the change in the capacity has been made without any alteration or additions to the equipment." The Committee also note from the Technical Committee's report that a capacity of 365 CFM was assessed by them as the capacity of compressors needed by the Director General, Border Roads for working 3 rock drills. Extracts from the report in this respect are given below:

"The output of the compressor in FAD must be suitable to work three Pneumatic Drills of 48 lbs. weight at an altitude of 10,000 ft. After exhaustively examining the British Compressed Air Society, technical bulletin, it was agreed that the consumption of rock drill (48 lbs.) must be taken as 90 CFM at 90 lbs. psi and therefore three such units will require $90 \times 4 = 360$ CFM using the multiplying factor of four as given in the technical bulletin. This requirement must be met by the machine we may accept."

1.9. The Committee drew attention to the reports about the defects in the performance of some of the 96 compressors supplied, which led to a decision to cancel the orders for the balance of 31 compressors pending supply. The following position was in this respect brought to their notice:

"There were 4 stray cases between February, 1966 and September, 1966 which were reported by different projects widely spread apart which were treated as isolated cases by the Director General, Border Roads and taken up with the firm directly. In September, 1966 the matter was taken

up by the Director General, Border Roads with the Director General, Supplies and Disposals and thereafter all cases reported to the Director General, Supplies and Disposals in addition to bringing them to the notice of the firm.

1.10. According to the firm, premature failure was due to the use of indigenous big end bearings and as an immediate step, in the new supply, imported bearings would be incorporated. The firm also confirmed to the Director General, Border Roads that they would replace damaged indigenous bearings and for that purpose, they deputed Service Engineers to the various sites for rectification jobs. This drill was repeated whenever occasions arose.

1.11. In so far as the actual performance defects are concerned, there has been a controversy as to whether the same was due to mechanical failure or due to design failure. Finally *vide* his letter dated 1-9-1967, Director General, Border Roads expressed the view that despite genuine efforts made by the firm, which had not proved fruitful, he was of the opinion that there were some inherent manufacturing defects. The equipment in addition to having defective components was not of rated capacity. On receipt of this complaint which was considered to be of serious nature, the matter was discussed at length with the firm's representative who submitted a Briefand the same was forwarded to the Director General, Border Roads for his examination and comments. The supplier's contention was that the majority of the compressors had fulfilled the contract specification with regard to high altitudes. The Director General, Border Roads on receipt of the Brief expressed the view *vide* D.O. dated 1-12-1967 that the theoretical assessment of the equipment will not be of any value and it would be necessary for a competent board of technical officers not connected with either Purchase or Utilisation to correctly evaluate the equipment. The suggestion made by the Director General, Border Roads was agreed to and he was requested to suggest names of persons constituting the Board. However, Director General, Border Roads, while forwarding his comments under his D.O. dated 12-1-1968 remarked that if the statement made by them, which was based on factuals, was acceptable to the firm, there did not seem to be any necessity for the constitution of the Board. In the aforementioned letter it was stated that only 15 compressors were off the road, others having been repaired by the firm. He also confirmed that trials conducted by them showed that the equipment was capable of running 3 rock drills in short tests but on sustained running had been developing mechanical defects."

1.12. The Director General, Border Roads has furnished a detailed report about the working the compressors which is given below:

"Out of the 96 compressors supplied, the position as on 1st July, 1968 is as under:

(i) & (ii)

(a) The position of the compressors as on 1st July 1968 is as follows :

| | |
|--|---------|
| (i) Total quantity purchased | 96 Nos. |
| (ii) Quantity in serviceable condition | 76 Nos. |
| (iii) Quantity off-road | 20 Nos. |

(b) Details of quantity 20 off-road are as follows :

Class ' C ' i.e., due for overhaul after normal wear and tear and having covered over 2,000 hours run—

| Set No. | Date from which off-road | Hours | |
|---------|-----------------------------|-------|----------|
| 1876 | 21 May, 1968 | 2685 | } 10,921 |
| 1769 | 10 Feb. 1968 | 3042 | |
| 2433 | 25 Mar. 1968 | 2334 | |
| 2488 | 28 Mar. 1968 | 2860 | |
| | (Quantity 4 only). | | |

(c) Equipment off-road due to normal wear and tear and *not* connected with defects reported to manufacturers :

| Set No. | Date from which off-road | Hours | |
|---------|-----------------------------|-------|---------|
| 2490 | 10 June, 1968 | 1078 | } 6,480 |
| 2218 | December, 1967 | 786 | |
| 2284 | 20 May, 1968 | 1137 | |
| 1863 | 21 June, 1968 | 1472 | |
| 2015 | December, 1967 | 1126 | |
| 2016 | December, 1967 | 501 | |
| 1333 | June, 1968 | 380 | |
| | (Quantity 7 only) | | |

- (d) Equipment off-road due to defects which have been reported to the manufacturing firm and are to be rectified by them :

| Set No. | Date from which off-road | Hours | |
|---------|------------------------------------|-------|---------|
| 2191 | 29 June, 1968 | 165 | } 8,032 |
| 2355 | 10 Jan. 1968 | 273 | |
| 2357 | 7 Feb. 1968 | 1554 | |
| 1768 | 23 Mar. 1968 | 421 | |
| 1559 | 21 June, 1968 | 153 | |
| 1878 | 9 July, 1968 | 747 | |
| 1862 | 31 May, 1968 | 1562 | |
| 1877 | 14 Mar. 1968 | 1905 | |
| 2438 | 29 July, 1968 (Quantity 9 only) | 1252 | |

NOTE :—Normal life of compressor : 2,000 hours.

1.13. The over-all position as indicated to the Committee is as under:

“Quantity of 96 compressors procured have done the following hours as on 1-7-1968:

| | |
|-------------------------------|-------------|
| Group (a)—Less than 600 hours | .. 20 Nos. |
| Group (b)—600 to 1300 hours | .. 40 Nos. |
| Group (c)—1300 to 2000 hours | .. 12 Nos.” |

1.14. The Committee observe in this connection that the Director General, Border Roads had in the course of evidence* in connection with para 102 of Audit Report (Civil), 1967 stated that it shou'd be possible to use machinery and equipment annually for 1200/1500 hours. Against this usage rate, the number of hours worked by 20 compressors as on 1st July, 1968 (i.e., two years after completion of supply) was less than 600 hours and for 40 compressors between 600 and 1300 hours.

Vide para. 1.53—18th Report (Fourth Lok Sabha).

1.15. The Committee notice that 20 out of 96 compressors supplied by the firm were out of commission as on 1st July, 1968, nine of them due to defects for which the supplier has been held liable. The Committee also observe that, against 1200/1500 hours for which machinery and equipment are used in projects in Border Roads, 20 of the compressors had rendered less than 600 hours service and 40 compressors between 600 and 1300 hours as on 1st July, 1968, i.e., nearly two years after the compressors had been supplied by the firm. The Committee would like Government to examine how far the poor utilisation was due to defects in the equipment supplied and how far due to over-estimation of requirements by Director General, Border Roads. The supplier should also be asked to have the defective compressors speedily repaired.

1.16. Another aspect of the case to which the Committee would like to draw attention relates to the capacity of the compressors supplied by the firm. According to the requirements of the Director General, Border Roads, the compressors were required to take a load of three rock drills at specified altitudes. The capacity of the compressors supplied, as first indicated by the firm in their original offer in response to the tender notice, was less than the capacity stipulated by a Technical Committee in the Directorate General, Supplies and Disposals, on the basis of this load factor. However, subsequent to the opening of tenders, the firm revised the capacity of the compressors and on this basis apparently they were accepted as conforming to the requirements of Director General, Border Roads. In the light of the reports from the Border Roads Organisation that the compressors were not capable of running three rock drills over sustained periods, the Committee would like Government to investigate whether the compressors supplied by the firm have the capacity actually stipulated in the tender enquiry.

Extra expenditure due to delay in taking purchase decisions

Audit Paragraph

1.17. In the five cases mentioned below, delays in taking purchase decisions resulted in purchases being made at higher rates, involving extra expenditure aggregating Rs. 8.37 lakhs; orders in these cases were placed 1 to 13 months after the expiry of the validity period prescribed in the tender enquiries—the extra expenditure in one case alone being over Rs. 6 lakhs.

Cases of Extra Expenditure due to delay in taking purchase decisions.

| Category of Stores | Tenders opened on | Orders placed on | Remarks |
|--|---|---|---|
| Extra expenditure (In lakhs of Rs.) | Tenders valid for acceptance upto | | |
| (i) Hides 6.02 | 4th October, 1966 5th December, 1966 | 9th February, 1967 and 9th March, 1967 | Three firms whose offers were the lowest considered acceptable, with drew their offers on various dates between 6th December, 1966 and 17th December, 1966. Orders were subsequently placed by negotiation on these three and two other firms at higher rates. |
| (ii) Jerseys/ Pullovers 1.60 | 11th February, 1967 11th March, 1967 | 10/11th May, 1967 | The four firms whose offers were the lowest considered acceptable, increase there rates on various dates between 17th March, 1967 and 5th April, 1967. Orders were subsequently placed on the same firms at increased rates |
| (iii) Rivets 0.32 | 12th February, 1965 12th April, 1965 | 11th June, 1965 | The firm whose offer was the lowest considered acceptable declined to extend the validity period of their offer beyond 12th April, 1965. Later, on the basis of negotiations, order was placed on another firm at higher rates. |
| (iv) Pipes and bends 0.25 | 2nd March, 1967 2nd May, 1967 | 30th June, 1967 | On receipt of a request for extension of the validity period of their offer for a further period of one month from 2nd May, 1967., the firm whose offer was the lowest considered acceptable, increased their rates on 31st May, 1967. Subsequently, order was placed on the same firm at higher rates. |
| (v) Red Colour dry mix. 0.18 | 2nd March, 1966 2nd May, 1966 | 2nd June, 1966 | On 11th April, 1966, the firm whose offer was the lowest considered acceptable, offered a reduction of Rs. 2 per 50 Kgs. for a different packing. This remained in correspondence with the indenter. On 4th May, 1966, the firm, on being approached, agreed to keep their offer valid up to 2nd June, 1966, but with an increase in the tendered rates. Order was subsequently placed on the same firm at increased rates. |

(cf) (Paragraph No. 91 Audit Report (Civil) 1968).

1.18. Taking up the case relating to purchase of hides, the Committee pointed that the tenders were open for acceptance upto 5th December, 1966, but orders were not placed till 9th February, 1967 and 9th March, 1967. The extra expenditure due to this delay was Rs. 6.02 lakhs. The Committee enquired why a decision to place the orders could not be taken within the period for which the tenders were valid for acceptance. The representative of the Director General, Supplies and Disposals stated that there were two factors which rendered a speedy decision difficult. A proposal was made by the Director General, due to difficulty in supply experienced in the past, that the tendering firms should be persuaded to accept a clause for levy of pre-determined liquidated damages for belated supply. This proposal had to be processed by the Director General, Supplies and Disposals, in consultation with the Department of Supply. The second factor, which rendered a decision on the tenders impossible within the validity date, arose out of a proposal made by the Finance Department that the Department should re-check the capacity of one of the tendering firms, whose offer had not been recommended for acceptance. This suggestion was made as Finance Department had felt that their offer was attractive.

1.19. The Committee enquired when the proposal for levy of pre-determined liquidated damages was thought of, when it was referred to the Department of Supply and when instructions on the subject were received. The Committee also enquired when the suggestion regarding re-checking of capacity of one of the tenders was made and when action in regard to this and the proposal for levy of pre-determined liquidated damages was taken. In a note the Department have stated:

"Tenders were opened on 4th October, 1966. Provision for pre-determined liquidated damages clause was first thought of on 28th October, 1966. The proposals were communicated to the Department of Supply on 29th October, 1966. The Department of Supply gave instructions on 8th November, 1966. The file was seen by Finance on 11th November, 1966. Action was taken by the Director General, Supplies and Disposals on 16th November, 1966, regarding obtaining capacity report and for levying pre-determined liquidated damages. Offers were valid upto 5th December, 1966. Replies were received from the firm prior to this date not agreeing to pre-determined liquidated damages. Capacity report was not received by 5th December, 1966."

1.20. The representative of the Director General, Supplies and Disposals also told the Committee that due to the difficulty in coming to a decision before the expiry of the validity date, the firms were approached for an extension of offer. This, according to the information furnished subsequently to the Committee, was done on 3rd December, 1966. However, due to anti-cow slaughter agitation, the firms intimated their inability to extend the validity period of their tenders. Therefore, "we did the best thing, namely, to negotiate with the parties."

1.21. The Committee regret to note that, due to a substantial modification of tender conditions communicated to the tenderers nearly one and half months after the opening of tenders and twenty days before their offers were due to expire, and the inability of the Director General, Supplies and Disposals to have the capacity of one of the tendering firms "re-checked", a decision on the tenders could not be taken before their validity expired, with the result that Government had to incur an extra expenditure of Rs. 6.02 lakhs. The modifications of the tender conditions was proposed in view of certain difficulties experienced in the supply of the item in the past. The Committee are unable to understand why this was not thought of even before the tender notice was issued. As regards the inability of the Director General, Supplies and Disposals to re-check the capacity of one of the tenderers, the Committee fail to comprehend why, before the tenders were considered, the Director General, Supplies and Disposals did not have a firm capacity report prepared in accordance with the prescribed procedure.

1.22. The Committee would like Government to issue instructions to ensure that all the conditions of supply are intimated to the tenderers well in advance and that the prescribed procedure in the matters of ascertaining the capacity of the tenderers is strictly and correctly followed.

1.23. Taking up the question of purchase of jerseys and pullovers, the Committee pointed out that Government incurred an extra expenditure of Rs. 1.60 lakhs in this case. The tender enquiry was issued on 3rd December, 1966 and opened on 11th January, 1967. Though the tenders were valid for acceptance upto 11th March, 1967, the orders were placed only on 10th /11th May, 1967. The Committee enquired why this delay of two months took place. The witness

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stated: "We issued tender saying that the jerseys made from top dyed yarn only will be acceptable. Subsequently, it was mentioned that the other type—Hank Dyed Yarn—was cheaper and so an amendment was issued." The witness added that this amendment was issued on 17th December, 1966. In response to a question why the decision took time, the witness stated: "We got quotations from various firms. Out of that 55 firms had quoted for both top dyed and hank-dyed jerseys. 3 firms had quoted for top-dyed only and two for hank-dyed. We had said in this amendment that we issued that the firm supplying hank-dyed should confirm that they would be without any chemical damage to the yarn. When we opened the tenders we saw that quotations for hank-dyed were cheaper, but there was no confirmation that we sought in the tender. Therefore, the choice left to us was to go ahead with the order for top-dyed. This was the proposal submitted by the initial officer. But then hank-dyed was cheaper provided we could get the confirmation that the articles would be delivered without any chemical damage. That took time.....".

1.24. The Committee understand from Audit that the decision to accept supplies in hank-dyed yarn, subject to their being free from chemical defects was taken on 17th December, 1966. "The amendment incorporating this decision was, however, not advertised, but it was merely notified to the Regional Directors." On the 9th March, 1967 (i.e., two days before the expiry of the validity period of tenders) "there was a suggestion from Department of Supply that the Director General, Supplies and Disposals should obtain quick telegraphic confirmation from the tendering firms that jerseys made from hank-dyed yarn would be free from chemical damages."

1.25. The Committee observe that, after the tender enquiry was issued in this case, the specifications of the stores were changed. However, confirmation from the tenderers that the stores conforming to the changed specifications would be free from chemical damage was not sought from the tenderers till two days before the tenders were due to expire. In consequence, a decision on the tenders could not be taken before their validity expired, and the stores had ultimately to be purchased at an extra cost of Rs. 1.6 lakhs. The Committee would like Government to investigate the circumstances under which confirmation on a vital point was sought from the tenderers so belatedly.

1.26. The Committee took up the case of purchase of rivets in respect of which the extra expenditure, according to the Audit paragraph, was Rs. 0.32 lakh. They pointed out that the tenders for this

item were opened on 12th February, 1965, but the orders were not placed till 11th June, 1965, i.e., nearly four months later and two months after the expiry of the validity date of tenders. The witness explained the position in regard to this case as under:

"We had stated that the tenderers are required to submit samples of this free of cost to the inspecting authorities for approval. We had put in another condition about not giving Government's assistance for procuring raw material. We had said that no assistance will be given for procuring basic materials. The tenders were opened on 12th February, 1965. As some offers with assistance basis were much cheaper, the Assistant Director made reference to these firms to withdraw this condition. We got replies from those firms that they would not withdraw this condition. These replies from firms were received on 4th March, 1965. Then reports on the samples had to be received. They came by about 19th March. When these details were completed, the Assistant Director suggested that orders may be placed on the lowest tenderer with Government assistance. The case went to the Deputy Director. He realised that we had stated in our tender enquiry that we will not give assistance in all cases. He took the precaution of ringing up the Director General, Technical Development to find out whether any foreign exchange can be made available. He advised that foreign exchange will not be available and there was no possibility of supplying the raw materials. So, the proposals were submitted on 12th April, 1965 by the Deputy Director that the order may be placed on the lowest tenderer without assistance at Rs. 9 per Kg. This firm had kept the offer open only for one month, that is, upto 12th March, 1965. Since this offer expired on 12th March, 1965, the Additional Director General said that before we placed an order with them, they might be asked to state whether that offer was still valid. When this reference was made to them on 12th April, 1965, the firm replied on 19th April telling that their offer was no more valid and that they were increasing the price.

1.27. Then, we went to the next party without assistance—the Army and Police Equipments—who had quoted a price of Rs. 9.25 per Kg. This was on the 12th April, 1965 when their offer had also lapsed."

1.28. The Committee are unable to understand why the purchase officer sought to process offers which were not in conformity with tender conditions. As a result, a decision on the tenders got delayed,

entailing an extra expenditure of Rs. 32,000. The Committee would like to impress on the Director General, Supplies and Disposals, the need to draw up tender conditions with care and to ensure that in processing offers received, deviations from conditions drawn up are not allowed as far as possible.

1.29. Taking up the case of purchase of pipes and bends, the Committee pointed out that the tenders were opened on 2nd March, 1967, but the orders were placed only on 30th June, 1967, nearly two months after the validity period of the tenders expired. The witness stated: "After opening up tenders, there was an examination of the offers in consultation with the indenter. Preliminary consultation we had was on the 10th April, while subsequent consultation was on 27th April. . . . In regard to this item, he (the indenter) said he wanted a little more time for giving his final opinion. Unfortunately by the time his opinion came, the tenders had lapsed." Explaining the position further, the witness stated: "This particular item was referred to the indenting Department on 27th April. The reason why it was referred was that the firm had tendered for a different type of material. . . . Our requirement was for 2" diameter pipe. It means we wanted 50.8 mm pipes. But the firm tendered for 40 mm. pipes. . . . it was not possible to accept the firm's offer unless and until it was scrutinised." The Committee pointed out that the tenders were opened on 2nd March, 1967, but the reference to the indenter was made only on 27th April. The witness explained that "a lot of examination had to be done. . . . Hence this delay." The Secretary, Department of Supply elaborated by saying that the Director General, Supplies and Disposals "had to deal with thousands of indents. About four weeks is the normal time to process the indents." The witness further stated that in spite of the deviation in specification, the "indenter said that the offer was acceptable and he would confirm that by telephone. That was done on the 27th April." However, by the time the final opinion came, the offer lapsed. The witness also stated that ultimately the indenter accepted the pipes offered by the supplier.

1.30. The Committee regret to note that, due to delay on the part of the indenter in coming to a decision on the tender referred to him for acceptance, an extra expenditure of Rs. 25,000 was incurred. The Committee would like Government to ensure that decisions on tenders are taken within the period for which tenders are valid and that, where the Director General, Supplies and Disposals, refers tenders to indentors for clearance before acceptance, the matter is promptly followed up.

1.31. The Committee pointed out that in regard to the purchase of 'Red colour dry mix,' the Department incurred an extra expenditure

of Rs. 0.18 lakh. The representative of the Director General, Supplies and Disposals explained:

“This was for the Integral Coach Factory. The tenders were opened on the 2nd March, 1966. But, the indenter wanted to test the sample of the lowest tenderer. This was sent to him on the 14th March, 1966. The test report was received on the 14th April, 1966 and on the 15th April, 1966, the firm had offered a reduction of Rs. 2 per 50 Kgs. but for a different packing. We accepted that. It had to be referred to the indenter for acceptance. We referred it by telegram and asked him to reply by telegram so that the contract could be placed before the expiry date. But, unfortunately, by the time indenter's letter reached the Dealing Officer, the offer lapsed.”

1.32. The Committee enquired when the indenter's reply was received. The witness stated that “it reached the Central Registry (in Directorate General, Supplies and Disposals) on 26th April. . . . There was no reference to the D.G.S. & D's letter nor even the name of the particular indenter. So it went from one section to another. Ultimately it reached the dealing officer on the 5th May” (i.e., three days after the validity of the tenders had expired). The Committee pointed out that this was not a satisfactory position at all. The Secretary, Department of Supply replied: “I admit that so far as this case is concerned, it is so.”

1.33. The Committee notice that confirmation sought from the indenter on the acceptability of certain terms offered by a tenderer was received by the Director General, Supplies and Disposals before the tenders expired but that, owing to internal delays, the communication failed to reach the dealing officer in time.

1.34. The Committee trust that action will be taken by Government to ensure that lapses of this type do not recur.

Delay in the recovery of extra cost in repurchase of trailers

Audit Paragraph

1.35. In August, 1963, the Director General, Supplies and Disposals placed an order for the purchase of 600 trailers on a firm 'A' at a cost of Rs. 3,450 each, to be delivered at the rate of 60 trailers per month after two weeks from the date of approval of the prototype. The firm, however, supplied only 56 numbers despite extensions in the period of delivery upto 31st July, 1966. The balance 544 numbers were, consequently, cancelled in September, 1966 at their risk and expense. In the meantime, limited tenders had been invited in response to which

11 tenders were received and opened on 30th June, 1966. On this basis, an order for 544 trailers was placed on a firm 'B' in September/October, 1966 at Rs. 4,550 each, stipulating supplies to be completed by 31st March, 1967. This involved an extra cost of Rs. 6:34 lakhs as compared to the rate in the contract with the defaulting firm 'A'. A demand for the recovery of this amount was placed on firm 'A' on 14th December, 1966, but the firm have not paid the dues so far (December, 1967).

1.36. Firm 'B' failed to adhere to the delivery period stipulated in the contract, they could complete supplies only after extensions of delivery period upto 30th September, 1967, which were granted to them with reservation of rights to levy liquidated damages. The question of assessment of liquidated damages against the firm is pending with the Directorate General (December, 1967).

[Paragraph 93, Audit Report (Civil) 1968]

1.37. The Committee were informed by the Department of Supply that a claim was preferred by Government with firm 'A' in December, 1966 for the extra expenditure of Rs. 6:34 lakhs incurred on the purchase of 544 trailers, owing to the default of the firm. The firm asked in January, 1967 for particulars of the contract for the trailers placed at their risk and expense and these were furnished by Government in February, 1967. In July, 1967, the firm served a legal notice on Government contesting the Government's claim. According to the information furnished by the Department during evidence, the firm, while rebutting the claim, had pointed out that, in placing a contract at their risk and expense (on firm 'B'), Government had passed over the lowest tenderer. Besides, the trailers purchased were not identical with those that they (firm 'A') had been called upon to supply. The firm, therefore, took the position that they were not bound by Government's claim, unless it was confirmed by the courts. The Committee enquired why, before placing the order on firm 'B', on risk purchase basis, Government passed over the lowest tenderer and whether the trailers ordered on firm 'B' were of the same specifications as those ordered on firm 'A'. In their reply, the Department of Supply stated:

"The 6 lower offers were ignored for the following reasons:

3 firms due to adverse capacity reports. 1 firm due to unsatisfactory performance; and

2 firms due to insufficient/meagre capacity.

The trailers purchased from the firms 'A' and 'B', were according to the following specifications:

Firm 'A'—A/T specifications:

Trailers 1 ton 2 wheeled G. S. complete with G. S. bodies as per TDE (V) Specn. No. IND/VEH/4006/62 and TDE (V) Drg. No. BGA-620 complete with connected drawings.

Firm 'B'—A/T specifications:

Trailers 1 ton 2 wheeled G. S. as per CIV Drg. No. BGA-620 D/B and Specn. No. IND/VEH 4006/62 (K)."

1.38. In regard to the present position of the case, the Committee were informed that, after receipt of the legal notice from the firm, it was decided, after obtaining legal opinion, that the case should be referred to arbitration. The contract was placed in accordance with the standard conditions "which provide for the reference of disputes to Sole Arbitration by Director General, Supplies and Disposals or his nominee." In accordance with the prescribed procedure, "in cases of Government claims, where the Directorate General contemplates taking recourse to arbitration, the Supplies and Commodities Directorate are required first to obtain a reliable report about the financial standing of the party and the prospects of recovery of the amount claimed." Consequently, in March, 1968, the District Magistrate, Patna was approached "for assessment of the financial standing of the firm." The Committee enquired whether this enquiry could not have been made earlier. The witness stated: "I must say there was some delay in making this enquiry and that the Department was responsible for this state of affairs." The Committee enquired whether any reply was received from the State Government to the inquiry. In a note, the Department have stated:

"No reply was received from the State Government till the 29th August, 1968. Besides the State Government, enquiries were also made on 27-7-68 from the Income Tax Commissioner, Patna, the firm's banker's and the Registrar of Companies, Patna to furnish solvency report on the firm. A reply (has) since been received from the Registrar of Companies, Patna furnishing their balance sheet on 31-8-66 as under:

| <i>Liabilities</i> | | <i>Assets</i> | |
|---|---------------------|---|---------------------|
| | <i>Rs.</i> | | <i>Rs.</i> |
| <i>Subscribed and paid up capital :</i> | | <i>Fixed assets</i> | |
| 635 ordinary shares of Rs. 1,000 each | 6,35,000.00 | <i>Investment</i> | 3,53,680.99 |
| <i>Reserves & surplus</i> | 19,071.08 | | 275.00 |
| <i>Secured Loan</i> | 6,26,209.28 | <i>Current Assets, loans and Advances</i> | 13,94,073.65 |
| <i>Current liabilities and provisions</i> | 4,67,749.28 | | |
| | <u>17,48,029.64</u> | | <u>17,48,029.64</u> |

As the company has committed default in filing their balance sheets for the period ending 31st August, 1967, necessary action has already been taken against them by the Registrar of Companies, Patna.

Ministry of Law has since advised that there is no legal inhibition against proceeding with the arbitration in the absence of a solvency report of the firm, that we can proceed with the arbitration and meanwhile ascertain facts about solvency of the firm. Action is being taken accordingly for referring the case to arbitration pending receipt of the solvency report."

1.39. The Committee enquired whether this was the first occasion Government had placed orders for trailers with firm 'A'. The witness stated that this firm was registered with Directorate General, Supplies and Disposals. "But for this particular item they were not registered. . . . They were manufacturing trucks, jeeps etc. This item came for the first time." The Committee enquired whether before registration of the firm for other items, the firm's antecedents and solvency were verified. The Department have stated in a note that "before the registration of the firm for other items, their antecedents and solvency were verified in accordance with the prescribed instructions. Copies of check points to be exercised before registration of firms are enclosed. (Appendix II).

1.40. Taking note of the delay in supply of trailers by firm 'B', the Committee enquired what action had been taken against the firm. The witness stated that Government "have made a claim for liquidated damages of the amount of Rs. 5,502 and have asked the Pay & Accounts Officer to deduct this from the firm's bills."

1.41. The Committee note that Government incurred extra expenditure of Rs. 6.34 lakhs on the purchase of certain trailers due to default by a firm on whom the orders were originally placed. The Committee also note that the firm was not registered with the Director General of Supplies and Disposals for the supply of this item. They would like Government to investigate whether the orders were placed with the firm after ascertaining before-hand whether the firm had the requisite capacity to make the supplies as required.

1.42. The Committee observe that the extra expenditure incurred in this case has not been made good by the firm and that the case is being processed for arbitration. The Committee would like to be apprised of the outcome of these proceedings.

1.43. The Committee also note from the information furnished to the Department by the Registrar of Companies that the firm have failed to file their balance sheets for the last two years with the Registrar of Companies, who has taken suitable proceedings in the matter. A scrutiny of the last balance sheet filed by them for the year ending 31st August, 1966 shows that out of their assets totalling Rs. 17.48 lakhs, as much as Rs. 13.94 lakhs are made up of loans and advances. The Committee would like Government carefully to assess in the light of these factors the prospects of recovery of amounts which might become payable by the firm.

1.44. The Committee observe from the information furnished by the Department that the existing procedure for the registration of firms provide for their financial standing being verified at the time of registration with reference to bank reports, Income-tax clearance certificates and the profits and loss accounts for three years. The Committee understand that a review of the position is thereafter carried out triennially. Experience in this case suggests that it might be of advantage for the Director General, Supplies and Disposals to call for the audited accounts of all registered suppliers annually, so that suppliers who have defaulted in their statutory obligations of filing their accounts under the provision of Company Law, may not qualify for orders from Government.

Purchase of 'Zamak Alloy'

Audit Paragraph

1.45. On 25th February, 1966 and 4th April 1966, the Director General, Supplies and Disposals, received from the Director General, Ordnance Factories, two indents for the purchase of a total quantity of 244.05 tonnes of 'Zinc Metal Ingots for Die-casting' known as 'Zamak Alloy', this alloy had been placed under the Scarce Industrial Materials (Control) Order, 1965 with effect from September, 1965.

1.46. Before purchase action was initiated, Firm 'A' (one of the firms which had been receiving allocation of high purity zinc), on the advice of the Director General, Technical Development, approached the Director General, Supplies and Disposals (25th March, 1966) with an offer to supply about 300 tonnes of 'Zamak' from raw material in stock with them, at Rs. 3,500 per tonne; they stated that, if no intimation about acceptance of the offer was sent upto 8th April, 1966, permission of the Director General, Technical Development would be sought to sell the quantity to industrial users in the country. No action was taken on this offer. On 15th April, 1966,

the Director General, Technical Development, was requested to intimate the names of the firms which had been allocated high purity zinc. The information was furnished on 18th May, 1966, according to which the entire demand could be easily met from the existing stock of 'Zamak' available with five licensee firms. Although the quantity required by the Director General, Supplies and Disposals was known to the Director General, Technical Development, he requested the Director General, Supplies and Disposals on 18th May, 1966, to intimate whether there was any likely demand of 'Zamak' against the orders of Defence and other priority indentors and also stated that if nothing was heard in the matter within 15 days, the licencees would be permitted to release the stock to other priority users. On 23rd May, 1966, the Director General, Supplies and Disposals, requested the Director General, Technical Development to take immediate action to make available the required quantity from any of the five licencees and to intimate the name of the firms and the prices at which they were to supply the alloy. No action was taken on this request by the Director General, Technical Development; and, on 10th June, 1966, on receipt of a reminder from the Director General, Supplies and Disposals, he regretted his inability to comply with the request owing to the Scarce Industrial Materials (Control) Order having since been repealed on 7th June, 1966.

1.47. Later, in August, 1966, on the basis of a limited tender enquiry, purchase was made at higher rates as shown below, involving an extra expenditure of Rs. 2.18 lakhs:—

- (i) 144.05 tonnes from firm 'A' at Rs. 4,400 per tonne.
- (ii) 100 tonnes from another Firm 'B' at Rs. 4,385 per tonne (average).

[Paragraph No. 96, Audit Report (Civil), 1968]

1.48. Pointing out that of the two indents for Zamak alloy received by the Director General of Supplies and Disposals, the first one for 28.05 tonnes was received on the 25th February, 1966, the Committee asked why no action was taken thereon till the 15th April, 1966, when a reference to the Director General, Technical Development was made. The Secretary, Department of Supply stated that the normal period for processing an indent was three to four weeks. In this particular case, there was a certain procedure to be followed, as the material came within the purview of the Scarce Industrial Materials (Control) Order, 1965. The following action was taken by the Director General, Supplies and Disposals after receipt of the indent:

- “(a) Indent was received on 25-2-66 in the Central Indent Section and in the Purchase Directorate on 28-2-66.

- (b) Against an earlier purchase of Zamak Alloy, Director General, Technical Development had advised that difficulty in respect of procuring this item could be solved if a Price Agreement on the basis of standard conversion charges per M/Tonne with the Zamak Manufacturers was entered into, on the basis of conversion of high purity Zinc allocated to producers by the Director General, Technical Development for the manufacture of Zamak Alloy. Therefore, on receipt of this indent a Planning Note was given on 28-2-66 stating that the Director General, Ordnance Factories may be asked to give their maximum annual requirements.
- (c) It was decided on 1-3-66 that instead of making a reference to the Director General, Ordnance Factories, annual requirements of Defence, based on last two years purchases, could be found out from available records of the office.
- (d) The records were gone through by 24-3-66 and a revised Planning Note was put up, on that day.
- (e) It was decided on 28-3-66 as under:
 - (i) To ask the Director General, Ordnance Factories to indicate his annual requirements for 1966-67.
 - (ii) To refer the case to the Development Officer to indicate allocation of Zinc if any made to alloy manufacturers so that the Director General, Supplies and Disposals might negotiate a Price Agreement with them.
- (f) By the time the indent could be referred to the Director General, Technical Development, fresh indent for 216 M/Tonnes of Zamak Alloy was received on 4-4-66 and after observing the formalities of checking technical particulars etc. the two indents (for a quantity of 244.05 M/Tonnes of Zamak Alloy) were referred to the Director General, Technical Development on 15-4-66."

1.49. The Committee enquired when the Director General, Technical Development replied to the reference made on 15th April, 1966 by the Director General, Supplies and Disposals. The witness stated that the reply was received on the 18th May, 1966. In reply to a question why the reply took more than a month, the Director General, Technical Development told the Committee:

"The information they (Director General, Supplies and Disposals) had wanted was how much stock each firm had of the alloy, pure zinc etc. That information we had to collect from the firms." The Committee then drew attention to clause 3 of the Scarce Industrial Mate-

rials (Control) Order, 1965, which required each stockist to notify the stocks in his possession at the time the Order came into force. In terms of clause 4 of the Order, acquisition and disposal of stocks was subject to control by permits and, by virtue of clause 8 of the Order, all firms holding stocks were required to furnish periodical returns of stock to the Director General, Technical Development. In view of this position, the Committee enquired why the Director General, Technical Development could not have collected the information needed by the Director General, Supplies and Disposals from his own records and sent it promptly. In a note on this point, it has been stated:

“In terms of clause 3 of the Scarce Industrial Materials (Control) Order, 1965, every person holding any stock on the date of the commencement of the said Order, whether on his own account or on account of any other person, any scarce industrial materials, had to furnish to the Controller within 15 days of the commencement of the Order, the information about the quantity and description of the scarce industrial materials. However, in view of the notifications dated 18th September, 1965 and 13th October, 1965, all the units holding stocks of scarce industrial materials were authorised to use such materials to the extent of their average consumption for the preceding three months upto 30-10-65 and thereafter 50 per cent of the monthly foreign exchange entitlement of the year 1965-66 upto 30-6-66.

1.50. It will thus be evident that it was not possible for Director General, Technical Development to ascertain the exact stock position of the two firms under reference as on 15-4-66, when the case was referred by Director General, Supplies and Disposals. The Controller had, therefore, to wait for the stock returns upto 5th of May, 1966 or thereafter for ascertaining the exact stock position in terms of clause 3 of the Annexure ‘A’ of the Procedure.”

1.51 The Committee drew attention to the fact that the letter from the Director General, Technical Development to the Director General, Supplies and Disposals of 18th May, 1966 was replied to by the latter on 23rd May, 1966. The Director General, Technical Development did not, however, take any action on the reply received, till, after receipt of a reminder from the Director General, Supplies and Disposals, he wrote back on 10th June, 1966 to say that the Scarce Industrial Materials (Control) Order had been repealed and the controls removed. Consequently, Director General, Supplies and Disposals had to pur-

chase the material in the open market at an extra cost of Rs. 2.18 lakhs. The Committee asked why there was delay on the part of Director General, Technical Development in replying to Director General Supplies and Disposals' reference of 23rd May, 1966. The Director General, Technical Development in his reply stated. "As far as the Director General, Technical Development is concerned, I accept that we delayed it by 14 days, because on the 7th June, the Control Order was repealed and during this time naturally we should have written to the Director General, Supplies and Disposals that as far as price and other things 'you will fix up and come to us'. We should have replied immediately and we failed in doing it." When the Committee enquired whether this delay was not responsible for the extra expenditure of Rs. 2.18 lakhs incurred on the purchase of the material in the open market, after repeal of control, the witness stated:

"I would not say it was because of that, because no one knew that the Control Order was going to be revoked so soon—within fourteen days.... Even if we had replied, we would have replied that we.... should get the essentiality certificate." Elaborating this point further, one of the representatives of Director General, Technical Development told the Committee: "When the Scarce Materials (Control) Order was in force, the practice adopted by the Director General Supplies and Disposals was that after fixing up the price, the name of the firm and the quantity to be released they used to issue the essentiality certificate in favour of a firm for a particular quantity. The Controller (in Directorate General, Technical Development) was only issuing the permit strictly in accordance with the recommendations made by the Director General, Supplies and Disposals." The Secretary, Department of Supply, however, informed the Committee that this was not the procedure. The essentiality certificate was no doubt to be issued by the Director General, Supplies and Disposals and it was in fact issued in this case, but the choice of the firm, which was to make the supply, was to be made by the Director General, Technical Development and not the Director General, Supplies and Disposals, in terms of the procedure prescribed under the Scarce Industrial Materials (Control) Order. He said: "We will have to go to the Director General, Technical Development under the Scarce Industrial Materials (Control) Order, indicating to him the indenter's names, the quantity required and other particulars to enable him to issue a permit in favour of the firm or agency. Unless we know which are the parties which are holding the stock, we cannot negotiate and give a tender and we cannot fix the price..... We (Director General, Supplies and Disposals) could not select the party. How could we? We did not know who were the stockists and what stocks they held.

They (Director General, Technical Development) are the controllers and we have to find out from them the names of the parties that have got enough material and ask them to allocate it so that we can go out to the tender.... In terms of this procedure we wrote to the Director General, Technical Development (on 23rd May, 1966). This was the procedure and we asked them to let us know."

1:52 Taking note of the conflicting testimony about the procedure to be followed or issue of permits, the Committee asked for a note from the Department of Supply as well as the Ministry of Industrial Development about the procedure prescribed for issue of essentiality certificate, fixation of price and selection of parties, indicating particularly what the responsibility of the Director General, Supplies and Disposals and Director General, Technical Development in regard to each of the foregoing matter was. The replies received indicate the following position:

(i) *Issue of essentiality certificate:*

Both the Department of Supply and Ministry of Industrial Development have agreed that essentiality certificate under the provisions of the Scarce Industrial Materials (Control) Order had to be issued by the Director General, Supplies and Disposals in respect of contracts placed by the latter.

(ii) *Fixation of price:*

Both the Department of Supply and the Ministry of Industrial Development have agreed that the fixation of price with the parties concerned had to be done by the Director General, Supplies and Disposals in accordance with the price formula approved by Government.

(iii) *Selection of supplier:*

The Department of Supply have stated that "as the permit was to be issued by the Controller (in Director-General, Technical Development) indicating specifically the source from which the scarce industrial material was to be acquired by the Director General, Supplies and Disposals, the selection of parties was the responsibility of the Controller." In this connection they have made available to the Committee a copy of U. O. (reproduced in Appendix. III) embodying the minutes of a meeting held by the Director General, Technical Development on 31st January, 1966 in connection with the allocation of Director General, Supplies and Disposals contracts. Para of this U. O. reads as follows:

"In regard to indents received by Director General, Supplies and Disposals for such virgin metals an Essentiality Certificate will have to go to the Controller of Scarce Industrial Materials, Director General, Technical Development, indicating the indenter's name, quantity required and other particulars to enable him to issue permit in favour of a firm or agency. Director General, Supplies and Disposals will finalise contract on that firm or agency at price fixed in accordance with the price formula approved by Government."

1:53 The Ministry of Industrial Development, on the other hand, have stated that "it was for the sponsoring authority or Director General, Supplies and Disposals acting on behalf of the sponsoring authority concerned with the execution of particular work to select the party on whom orders are to be placed." The Ministry have in this connection furnished a copy of the instructions regarding procedure to be followed, which is reproduced in Appendix IV The Ministry have drawn attention to paras 7 and 10 of the instruction. The Committee, however, observe from the preface to the procedure that it was meant for the public. Para 4 of the procedure specifically states that "this order is not applicable to any Government Department such as Ordnance factories, Railways, Posts & Telegraphs. . .

1.54. The Committee drew the attention of the Secretary, Department of Supply to the fact that after receipt of the indents in the Directorate General, Supplies and Disposals, one of the stockist firms had offered to supply the material at Rs. 3,500 per tonne and enquired why this offer was not availed of. The witness stated that "this was an unsolicited offer. According to our normal procedure we do not entertain any unsolicited offers. It is very important for the Director General, Supplies and Disposals to ignore such offers because we will get into a lot of difficulties if we start entertaining these parties." The Committee pointed out that the same party, after repeal of the Control Order, sold 144.05 tonnes to the Director General, Supplies and Disposals at Rs. 4,400 per tonne five months after his original offer at Rs. 3,500 per tonne. If the stocks held by the party were subject to control under the Scarce Industrial Materials (Control) Order, they enquired how this party was allowed to accumulate stocks and for what period the stocks accumulated. The Director General, Technical Development promised to furnish the information. In a note subsequently submitted to the Committee, the following information has been furnished about the stocks held by five firms

licensed under the Order during a period of six months prior to the repeal of the Order.

| Name of the firm | Month | Opening stock (In M/Tonnes) | Qty. produced during the month (In M/Tonnes) | Qty. released during the month (In M/Tonnes) | Balance (In M/Tonnes) |
|------------------|-----------------------------|--------------------------------|---|---|--------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1.A. | November, 65 | 186·081 | Nil | Nil | 186·081 |
| | December, 65 | 186·081 | 32·950 | 135·388 released to.. | 83·643 |
| | January, 66 | 83·643 | 102·438 | 0·04 to.. | 186·041 |
| | February, 66 | 186·041 | Nil | Nil | 186·041 |
| | March, 66 | 186·041 | Nil | Nil | 186·041 |
| | April, 66 | 186·041 | 60·11 | (a) 60·11 to.. (b) 20·00 to.. | 186·04 |
| 2B. | November, 65 | 225·63 | 120·00 | (a) 30·114 to.. (b) 50·000 to.. (c) 62·400 to.. (d) 50·500 to.. | 152·616 |
| | December, 65 | 152·615 | 190·3032 | (a) 4·50 to.. (b) 0·745 to.. (c) 0·50 to.. (d) 11·9852 to.. | 325·189 |
| | January, 66 | 325·189 | Nil | (a) 17·586 to.. (b) 120·000 to.. (c) 35·500 to.. (d) 10·000 to.. | 142·103 |
| | February, 66 | 142·103 | 211·00 | (a) 3·203 to.. (b) 0·48 to.. | 349·420 |
| | March, 66 | 349·420 | 10·00 | 5·00 to.. | 354·420 |
| | April, 66 | 354·420 | Nil | (a) 65·418 to.. (b) 175·500 to.. (c) 0·1 to.. (d) 1·5 to.. | 111·902 |
| 3 C. | November, 65 | 114·909 | Nil | Nil | 114·909 |
| | December, 65 | 114·909 | Nil | Nil | 114·909 |
| | January, 66 | 114·909 | Nil | Nil | 114·909 |
| | February, 66 | 114·909 | Nil | Nil | 114·909 |
| | March, 66 | 114·909 | Nil | Nil | 114·909 |
| | April, 66 | 114·909 | Nil | 0·827 to.. | 114·082 |
| 4 D. | November, 65 to April, 66 | Nil | Nil | Nil | Nil |
| 5 E. | November, 65 to January, 66 | Nil | Nil | Nil | Nil |
| | February, 66 | Nil | 39·00 | 39·00 | Nil |
| | March, 66 | Nil | 7·14 | 7·14 | Nil |
| | April, 66 | Nil | Nil | Nil | Nil |

1.55. The Committee feel that the delay that occurred in processing this transaction was avoidable. The indent for the stores received by the Director General, Supplies and Disposals was referred to the Director General, Technical Development on 15th April, 1966, as the stores were subject to control under the Scarce Industrial Materials (Control) Order, 1965. In accordance with the procedure settled between these two organisations for allocation of stores governed by the Order, the Director General, Technical Development was required on a reference from the Director General, Supplies and Disposals, specifying the particulars of requirements for the stores, to issue a permit in favour of one of the approved stockists. The Director General, Supplies and Disposals, was thereafter to place a contract with the stockist. The Committee are unable to understand why the Director General, Technical Development, failed to issue a permit after receipt of the reference from the Director General, Supplies and Disposals on 15th April, 1966. Instead, he addressed the Director General, Supplies and Disposals on 18th May, 1966, nearly a month after receipt of his reference, for confirmation of his requirements. Even after the confirmation was received on 23rd May, 1966, no action was taken till 10th June, when, in reply to a reminder, he informed the Director General, Supplies and Disposals that the Control Order had been repealed. In consequence, the stores had to be purchased from the market at prices much above the controlled prices previously in force. The Committee would like Government to assess the exact loss sustained and to fix responsibility therefor.

Extra expenditure due to delay in the issue of import recommendation certificate

Audit Paragraph

1.56. In August, 1963, on the basis of a limited tender enquiry issued in July, 1963, the Director General, Supplies and Disposals placed on firm 'A' a contract for the purchase of 83,076.84 Kgs. of "hard drawn grooved copper contact wire" at Rs. 5.756 per Kg. (f.o.r. Kankinara) to be delivered by 30th September, 1964. The price of the stores was based on LME settlement rate of £ 230 per ton for standard copper and was subject to adjustment at the rate of 1.313 paise per Kg. for every £1 rise or fall in L.M.E. rate as ruling on the 4th working day of London Metal Exchange after the first of February, 1964.

1.57. The contract proved that necessary import recommendation certificate would be issued to the firm for the import of raw copper required for the manufacture of stores. This certificate was,

however, issued only in September, 1964 after a lapse of over one year from the date of placement of the order, based on this, an import licence was issued to the firm by the licensing authorities in October, 1964.

1.58. The delay in the issue of import recommendation certificate resulted in an extra expenditure of Rs. 3.15 lakhs on 68,326 Kgs. of wire supplied by the firm in November, 1965, comprising:

- (i) increase in the rate of metal in October,
1964 Rs. 2.27 lakhs
- (ii) increase in the rate/fresh levy of duties
in February, 1965 Rs. 0.88 lakhs

Government have stated (June, 1967) that the purchase officer and the dealing assistant have been censured for their lapse in the matter.

[Paragraph 97, Audit Report (Civil) 1968]

1.59. The Committee desired to know the exact procedure followed in the issue of import recommendation certificates and the reasons of delay of one year in its issue in this particular case. The witness stated: "There is already an office order laying down this procedure. The import recommendation certificate must issue with the contract or within 48 hours thereafter. There are also various control charts in which a report is sent every fortnight to senior officers showing in how many cases such import recommendation certificates had not been issued with the contract. This is one control measure. There is also a check list at the time of issuing a contract. The Assistant Director or his senior officers checks various points and sees that the contract is perfect in every respect. One of the items is whether the import recommendation certificate is to be issued with contract or not." The witness added: "Unfortunately in this particular case there was a lapse..... The control system was not in operation." The explanation of the Officer found at fault was called for and a decision taken to censure him. Asked whether there were extenuating circumstances in favour of the officer, the Department have stated in a note:

"The contract was placed on the 17th August, 1963. Normally, an import recommendation certificate should have been issued along with the A/T or within a reasonable time thereafter. In the present case, however, in accordance with the provisions of the contract, the firm intended to book the copper in early February, 1964 and, there-

fore, wanted that the IRC should be issued to them in December, 1963 as they did not want to block up their storage, space and incur large interest charges by booking the copper earlier. Unfortunately, however, the fact that the IRC had to be issued in December, 1963 was lost sight of and the firm also did not remind Director General, Supplies and Disposals about this matter. However, as no *mala fide* was involved, it was decided to impose the penalty of censure."

1.60. The Committee note that, as a result of delay on the part of the Department in issuing an import recommendation certificate to a supplier for the import of raw materials required for the manufacture of certain stores, the prices of those materials escalated and Government had to incur an extra expenditure of Rs. 3.15 lakhs. From the information furnished by the Department during evidence, the Committee note that procedures have been devised to ensure that import recommendation certificates are issued by the Director General, Supplies and Disposals, in time. Unfortunately, however, these procedures were not observed in this case. The Committee trust that steps will be taken to enforce the existing procedures rigorously so that costly lapses of this nature do not recur.

Purchase of camouflage equipment

Audit Paragraph

1.61. In response to a limited tender enquiry issued by the Director of Supplies and Disposals, Calcutta on 24th June, 1964, 9 offers were received. Of these, the lowest and the second lowest were from firms 'A' and 'B', as detailed below:

(In Rs. per 100 metres)

| Item | Firm 'A' | Firm 'B' |
|------------|----------|----------|
| 1. | 6.42 | 6.72 |
| 2. | 5.49 | 5.36 |

1.62. The lowest offer of firm 'A' against item 1 was ignored on the grounds that:

- (a) the firm had delayed supplies of similar stores by one month against an order previously placed in March, 1964; and

- (b) the firm's performance against various other contractors was unsatisfactory.

1.63. On this basis, orders for item 1 were placed on 3rd July, 1964 for:

- (a) 46 lakh metres (to the extent of the available capacity of the firm) on firm 'B' at Rs. 6.72 per 100 metres; and
- (b) 16.87 lakh metres on another firm 'C' at Rs. 6.83 per 100 metres.

1.64. The lowest offer of firm 'B' against item 2 was also not availed of on the ground that their capacity had been booked against item 1.

Accordingly, an order for 33 lakh metres was placed on firm 'A' on 3rd July, 1964 at Rs. 5.49 per 100 metres.

1.65. Placement of orders in this manner, which resulted in an extra expenditure of Rs. 25,500 lakhs justification as:—

- (a) the Directorate had condoned the delay of one month against the previous order of March, 1964 on firm 'A', on the ground that the previous performance of the firm had been satisfactory; and
- (b) there was no basis to issue the limited tender enquiry to firm 'A' for item 1 and to consider them for placement of order even for item 2, if their past performance had been considered unsatisfactory.

1.66. Audit brought the case to the notice of Government in November, 1967; their remarks are awaited (February, 1968).

[Paragraph No. 102, Audit Report (Civil), 1968]

1.67. The Committee enquired what precisely were the stores listed against items No. 1 and 2 of the tender enquiry. In a note, the Department have stated that these are items of camouflage equipment and have described the stores as under:

| | | |
|------------|----|----------------|
| Item No. 1 | .. | 3" Grass Green |
| Item No. 2 | .. | 3" Undyed. |

1.68. The Committee pointed out that for item No. 1, the lowest tender was that of 'A'. They asked why this tender was passed

over in favour of 'B', whose rates were higher. The Department have explained the reason for rejection of tender as follows:

"The lowest offer was received from M/s.....'A' at Rs. 6.42 per 100 metres..... Since the material is required for special grass green shade it is considered to be difficult item. Against the last contract for this item M/s. 'A' has not been able to deliver 8 lakh metres within the original D/D, i.e., 30th April 1964 and as such we had to extend the D/D upto 31st May 1964. Moreover the performance of this firm against various contracts is generally unsatisfactory. It was therefore decided not to place any contract on this firm for this item.

1.69. This store was required by Defence and was considered a difficult item in view of the requirement of the correct shade. The timely delivery was also important. It was known to the Director General, Supplies and Disposals that the firm 'A' were not actual manufacturers but procured the material from actual manufacturers and arranged for drawing from other sources, and this very firm had not been able to deliver 8 lakhs metres of this store against an earlier contract within the delivery period. On the other hand the quantity required in the present case was much larger. It was for these reasons that the offer of firm 'A' for item 1 was ignored and an order was placed on the next lowest bidders who were actual manufacturers and had supplied substantial quantity of this item in the past, satisfactorily, the difference in price being only 30 paise per 100 metres."

1.70. Noting that orders for item 2 were placed with 'A' whose offer for item 1 was rejected on grounds of his performance against various contracts being "generally unsatisfactory", the Committee asked what reasons weighed with Government in placing these orders. The Department have stated:

"The lowest offer of firm 'B' for this item could not be taken advantage of as the full capacity of this firm was booked against item No. 1. The order was, therefore, placed on firm 'A' whose offer was the next lowest. Although the offer of firm 'A' had been ignored in respect of item 1, which was considered to be a difficult item, yet their offer for item 2 was accepted because this was considered to be a simple item and the material required was undyed. Firm 'A' had already executed a number of contracts for this item satisfactorily.

1.71. The Committee asked the Department for particulars about the various contracts placed with firms 'A', 'B' and 'C' during 1963 and 1964, the extent to which supplies tendered were acceptable to the Department, the delay in supply that occurred and the action taken to recover liquidated damages for belated supplies in each case. The information furnished by the Department is summarised below :

| | Firm ' A ' | Firm ' B ' | Firm ' C ' |
|--|---|---|------------------|
| 1. Total No. of contracts placed | 6 | 4 | 5 |
| 2. Total value of contracts placed | Rs. 51.9 lakhs | Rs. 5.57 44 lakhs | Rs. 6.4 lakhs |
| 3. No. of contracts for item ' 3 ' Grass Green | 1 4 | 4 | 2 |
| 4. Quantity of ' 3 ' Grass Green contracted for | 15,09,000 metres | 124,00,000 metres | 28,87,000 metres |
| 5. No. of contracts in respect of which stores offered were found acceptable. | 6 except for part supply under one contract) | 4 (except for part supply under one contract | 5 |
| 6. No. of contracts in respect of which stores were accepted at a reduced price for deviation from specification | 1 (part supply) | 1 4 4 (part supply) | Nil |
| 7. No. of contracts in respect of which delay in supply occurred. | 5 | 4 | 5 |
| 8. No. of contracts in respect of which liquidated damages were levied. | 2 (Token damages recovered) | .. | .. |
| 9. Range of delay—Minimum 3 days and 157 days 9 days and 208 days 10 days and 69 days and Maximum. | | | |

1.72. The Committee note that the lowest tender of firm 'A' for one of the items was not accepted inter alia on the ground that their performance against various contracts was "generally unsatisfactory." If this was so, the Committee find it hard to understand why Government chose to place an order with this firm for another item covered by the same enquiry for which their offer was in fact not the lowest. The data about the performance of this firm as well as the other two firms 'B' and 'C', with whom orders were

£ In addition orders valued at Rs. 9,00,000 were also placed with the firm, for '2 Grass Green' item.

££ Covers 3 contracts. Value of 1 contract not specified by Department of Supply.

£££ Related to item '3 Grass Green'.

placed for the item for which firm 'A's' tender was the lowest would appear to suggest that the performance of the three firms was by and large comparable.

1.73. The Committee would like Government to evolve precise guidelines for the assessment of the comparative performance of the firms, so that decisions on this point are made as objective as possible.

Delay in finalisation of provisional payments

Audit Paragraph

1.74. The Director General, Supplies and Disposals places a large number of contracts with a price variation clause in regard to freight, customs duty, etc. Payments against these contracts are initially made at provisional rates pending settlement of final prices by the Director General, Supplies and Disposals on receipt of requisite documents from the contractors. The *Public Accounts Committee of 1961-62 expressed concern over this state of affairs—cases of provisional payments awaiting settlement even after 10 years had elapsed, and *inter alia* desired to be apprised of the progress made by the Director General, Supplies and Disposals in the settlement of old cases and financial effects thereof.

1.75. A review of cases of provisional payments conducted by Audit in 1967 showed that 42 acceptance of tender/rate contracts involving payments aggregating nearly Rs. 1.60 crores made during the period 1947-48 to 1960-61 still (January, 1968) awaited finalisation. Of these, 21 acceptances of tender/rate contracts involving payments of Rs. 0.61 crore pertained to a period over 10 years earlier.

[Paragraph No. 104, Audit Report (Civil), 1968].

1.76. The Committee were informed that out of the 42 pending cases of provisional payments mentioned in the Audit paragraph, "30 cases have since been finalised, 10 cases have been destroyed after the expiry of the time limit prescribed for retention of such record after due verification that nothing was pending against these cases and 2 cases are under arbitration." The Committee enquired on what points arbitration was going on. The Secretary, Department of Supply stated that it was "on the question of prices." The Committee asked whether in respect of cases, which had been destroyed, it had been ensured that no money was due. The representative of the Department of Supply replied that "none of the cases are such where any recoveries have to be made, except two cases or so where the figure is less than Rs. 700 or so. That was due to Government."

*S. No. 112[Para 254 of Appendix I to 42nd Report (2nd Lok Sabha), Vol. I.]

1.77. In response to a question why the finalisation of as many as 21 cases was delayed for over ten years, the Committee were told of the following position:

"The following reasons mainly accounted for the delay in finalising the provisional payments:

- (a) Suppliers did not furnish complete documents/information in support of their claims in spite of several reminders. In some cases, where the final settlement is likely to be unfavourable to the firms, they become indifferent in this matter;
- (b) Non-receipt of reports from the consignee about the receipt and acceptance of the material;
- (c) Cases under dispute which were pending before arbitration/law courts; and
- (d) Concentration on procurement work during the years 1962—65 on account of Chinese aggression during 1962 and Pakistani conflict during 1965, which resulted in accumulation of finalisation cases."

1.78. The Committee asked whether this delay was not tantamount to harassment of contractors. The witness stated: "One reason why this could not be finalised was that contractors did not give us papers. That is one main reason." It was added: "In spite of repeated reminders we don't get the relevant documents or vouchers which are important for finalisation." In response to a question whether the delay in finalisation resulted in Government having to pay interest on amounts due to contractors on finalisation, the witness replied in the negative.

1.79. The Committee enquired what remedial measures had been taken to expedite cases of provisional payment. They were informed as follows:

"As far as practicable, contracts are placed by the Director General, Supplies and Disposals on firm price basis and contracts—subject to price variation—are placed only where such a course appears to be inescapable. Instructions also exist that the question of finalisation of price of the stores should be taken up immediately after completion of the supply.

1.80. Prior to 1957, the Purchase Directorates were themselves responsible for disposal of finalisation cases. It was subsequently

felt that certain cases, especially those relating to price variation, required a specialised knowledge of accounts and could more effectively be dealt with if a separate Finalisation Wing was created where the Accounts Clerks and the Accounts Officers could be entrusted to handle these cases. A separate Finalisation Wing was accordingly set up with effect from 12th August, 1957, and all cases of price finalisation D/P regularisation etc., were transferred to them for final disposal. A working of this system, which entailed physical movement of files from Purchase Directorates to the Central Finalisation Wing, revealed that these arrangement were not quite satisfactory from the angle of proper linking up of receipts and records etc.

1.81. In July, 1964, the Government of India appointed a Study Team under the chairmanship of Shri A. N. Vidyalkar, the then M.P., with a view to examining the organisation, structure, methods of work and procedures of the Director General, Supplies and Disposals, particularly with a view to locating the points at which delays occurred and to suggest measures for improvement. The Study Team submitted their report in November, 1965. The Team brought out various defects in the existing arrangements with regard to the finalisation of purchase cases. Pursuant to their recommendations, the Central Finalisation Wing was disbanded and the Purchase Directorates were made responsible for finalisation of cases themselves with effect from 1st November 1966. With a view to paying proper attention to the finalisation work, a separate Finalisation Unit was created in each Purchase Directorate. In order to provide the Purchase Directorates expert advice in the matter of price finalisation, a Central Price Finalisation Cell manned by two Accounts Officers and persons with accounts experience was also created.

1.82. In the wake of the recession in the country, the need for quick settlement of finalisation cases also became a matter of great concern at the highest level and an intensive drive was launched for expeditious clearance of finalisation cases. A Seminar on 'Finalisation Work' was held from 14th to 17th August, 1967 with a view to devising ways and means to ensure expeditious disposal of finalisation cases. A Paper on 'finalisation work' prepared by the O. & M. Division was discussed and the recommendations made therein accepted for immediate implementation. Administrative instructions in this regard were also issued vide Office Order No. 92 dated 23rd August 1967, laying down the detailed procedure for expeditious disposal of finalisation cases. Instructions were also issued to include a clause in the tender inquiry to the effect that the contractor

should submit his claim for adjustment of prices along with complete supporting documents not later than six months after completion of supplies. In the event of contractor's failure to furnish the required documents or to give satisfactory reasons for not furnishing the required documents within the aforesaid period, the purchaser would be free to finalise the prices on the basis of documents/information, if any, in his possession and prices so finalised shall be final and binding on the contractor.

1.83. Specific time-limits for finalisation of cases have also been laid down under Office Order No. 92 dated 23rd August 1967. The Purchase Directorates are required to submit under the existing orders a fortnightly progress report to the O. & M. Division. These progress reports are scrutinised in the O. & M. Division, who, after scrutiny, submits the same to Director General. The deteriorating trend in the progress of finalisation cases, as and when noticed, is immediately brought to the notice of the Director concerned and suitable steps are taken to arrest the increase in the pendency of such cases. A periodical review of pending cases is also made by the Director (Public Relations), who has been entrusted with the responsibility to ensure that these cases are not held up for any avoidable reason. Cases of large value, which are pending for certain reasons, are also reviewed by the senior officers *viz.*, DDGs/ADG/DG. A consolidated monthly report indicating the number of fresh arisings, cases finalised, cases outstanding at the end of the month is also submitted to the Department of Supply. Minister and Deputy Minister of Works, Housing and Supply are also holding periodical meetings with Director General and other senior officers wherein the position of finalisation cases is reviewed and directives are issued and time-limits prescribed from time to time for clearance of such cases.

1.84. As a result of the measures taken during the last two years, it has been possible to reduce the pendency of finalisation cases from 7,123 cases pending on 1st April 1967 to 2,863 cases as pending on 1st July 1968. It may also be stated that out of the total pendency of 2,863 cases as on 1st July 1968, total number of cases where supplies have been completed prior to the year 1965, is only 145. This pendency has since been further reduced to 131 as on 15th July 1968."

1.85. The Committee note that 131 cases where payments were made to contractors on a provisional basis were awaiting finalisation as on 15th July, 1968. They hope that these will be speedily cleared, so that possible litigation with contractors is avoided as far as possible.

Purchase of sub-standard disinfectant fluid

Audit Paragraph.

1.86. In July, 1963, the Director General, Supplies and Disposals awarded rate contracts to two firms in Bombay and Lucknow for the supply of coal-tar disinfectant fluid at Re. 0.90 and Re. 0.87 per litre respectively. The terms of the contracts, *inter alia*, provided that the fluid should remain stable for a period of at least six months from the date of manufacture.

1.87. Orders for the supply of 0.99 lakh litres of the disinfectant fluid were placed on the Lucknow firm by the Southern Railway, representing the Railway's requirements for a period of 18 months, even though the stability period prescribed for the fluid was only six months. An order for a further quantity of 1.15 lakh litres of this fluid was placed by the Medical Stores Depot, Madras on the same firm. The supplies were inspected by the Director General, Supplies and Disposals, and were received by the Southern Railway in two batches between December, 1963 and March, 1964 and by the Medical Stores Depot between February, 1964 and May, 1964.

1.88. It was suggested by the Bombay firm in March, 1964 that the quality of the fluid supplied by the other firm at a lower rate than theirs might not be up to specifications. Samples were, accordingly, drawn from the supplies made by the Lucknow firm to both the indentors and the test reports revealed sub-standard quality of the fluid.

1.89. In January, 1965, the firm were asked to refund 90 per cent of the amount received by them in respect of supplies to Medical Stores Depot or to replace the fluid. The firm agreed in February, 1965 to replace the fluid only if a fresh sample from their supplies was drawn by a joint board (with representatives of the firm, the Depot and the Directorate of Inspection, Madras) and tested by an appellate testing authority of the Government of India. Fresh samples drawn in May, 1965 and tested in the National Test House, Alipore, Calcutta were found sub-standard owing to their deficiency in respect of stability after dilution/germicidal value. The Director General, Supplies and Disposals asked the firm in August, 1965 to replace the supplies at their own risk and cost but the firm did not agree.

1.90. In the case of supplies made to Southern Railway, the tests on the samples from the first batch supplied in December, 1963/January, 1964 revealed sub-standard quality of the fluid. Neither was a complaint lodged by the Southern Railway with the supplier, nor were the supplies rejected. Similarly, the rejection of the supplies in the second batch received in March, 1964 was done in August, 1964,

i.e., after the expiry of the minimum stability period. Attempts made by the Southern Railway to negotiate a reduced rate for the first batch and return of the second batch proved futile, as the firm contended that partial use of the stores supplied destroyed the right of the consignee to reject the stores.

1.91. The case is stated (October, 1967) to be under investigation by the Special Police Establishment.

1.92. The Department of Supply have stated (February, 1968) that the material was inspected and accepted according to the established procedure, that the inspector had done his best in the circumstances and that, as such, no action was called for against the inspection staff of the Directorate General.

[Paragraph No. 105, Audit Report (Civil), 1968]

1.93. The Committee asked the representative of the Railway Board why the Southern Railway placed orders for disinfectant fluid for 18 months' requirements when, according to the specifications, the fluid was expected to remain stable for a period of six months from the date of manufacture. The witness pointed out that there were certain practical difficulties. "Let us analyse how far it is possible to practically implement this condition. We do not know the date of manufacture. Consignee does not know. Even the Inspector inspecting the material does not know whether it was manufactured a month or 2 months earlier or one week or 10 days, before he gets intimation for inspecting the material. The inspector has to be informed by the supplier to come and inspect; sometimes he is not readily available to come immediately, as he has a programme for inspecting other stores also. Roughly, therefore, a month passes from the date of manufacture to the arrival of inspector. It takes 1 month or 2 months for inspection to be carried out. This is what the Director General, Supplies and Disposals have told us. He takes some representative sample, sends to test houses, medical depots etc. and this takes about 2 months for the report to come in and in all it would take about 3 months. Taking time for transport period, it comes to approx. 4 months or more by the time consignee receives the material." It was further stated that "In accordance with normal practice, in vogue for over a decade on the Southern Railway as well as other Railways, the provisioning for the requirements of the Railway for each particular stock item is made once a year for a year's requirements. For each item the yearly programme is laid down. For disinfectant fluid, the period for which provision is to be made every year is from 1st November each year to 30th October of the succeeding year. For the period

1st November 1963 to 30th October 1964, the Southern Railway assessed the requirements, in the light of the return received from various stores depots, in January, 1963. According to usual practice the requirements upto 30th October 1964, for a period of approximately 22 months with provision for another six months' 'Buffer stock', i.e., in all for about 28 months, were worked out and from this was deducted the available stocks and other anticipated receipts on firm orders pending supply on that date. This exercise resulted in a requirement of 99,150 litres which, at the then assessed rate of consumption of 5,600 litres a month, worked out to 17 to 18 months' requirements." The Committee asked whether the fact that the stability period of the fluid was six months escaped notice, when orders for 18 months' requirements were placed or a deliberate decision was taken that the orders should be so placed. They were informed : "The fact that the stability period of the fluid was 'not less than' six months was not specifically considered at the time of placing the order. This was perhaps because supplies invariably come in instalments and not all at one time. On this very order for 18 months' requirements supplies were in fact received in six consignments and an analysis made on other Railways also shows that consignments were invariably received in instalments, in no case, less than 4 in number. In the background of this knowledge the question of taking a deliberate decision to place an order for 18 months' requirements did not arise." The Committee enquired whether, in the circumstances, it would be correct to say that the Department stored the fluid whether "the thing was effective or not." The witness stated: "What you say is correct." The Committee asked whether, in view of this position, it was not necessary to change the procedure for procurement. In reply, the witness said: "At our request, the Director General, Supplies and Disposals has since revised the specifications to keep the stability for one year and we have also given very strict instructions to our officers to report to the authorities concerned the moment they find that the material is not upto specifications."

1.94. The Committee enquired what action was taken by the Railways to report the deficiencies in the fluid in respect of both the batches in which supply was made by the Lucknow firm. The witness replied: "When the complaint was made by a rival firm in early March (1st March) about the material not being upto the specifications, we immediately took out the samples and sent the sample to the chemists and Metallurgists for analytical test and to the Medical Department for germicidal test. On the 4th March came the report from the Chemist and the Metallurgist that the supply did not conform to the specification. on the same

day, an adverse report from the Medical Department about the germicidal content was received.....We immediately took action and wrote to the Director of Inspection, Madras and the Director of Inspection, Kanpur.....We followed up with letters and D.O. letters to Directors of Supplies and Director General, Supplies and Disposals."

1.95. At the instance of the Committee, the Railway Board have furnished a chronological statement of action taken from time to time after the report regarding deficiencies in the fluid came to their notice. This is reproduced as Appendix V to this Report. The Committee observe therefrom that, though in respect of both the batches of supplies, a complaint about the deficiencies in the fluid was lodged in April, 1964, the Director of Supplies informed the Railways in March, 1965 after a lot of correspondence to and fro, that "the complaint was lodged in April, 1964, whereas the life period (of the fluid) expired on 10-3-1964." The Railways thereafter pointed out in April, 1965 that "since the material was released from stores inspected on 5-11-1963, the complaint...was within the prescribed stability period." The Director General, Supplies and Disposals then took up the matter with the firm in this light in August, 1965, till, after further correspondence, he informed the Railways in December, 1966, after consulting the Law Ministry that "the supplier was not bound to replace the supplies" and "the case has been treated as closed by them."

1.96. The Secretary, Department of Supply informed the Committee that "as soon as this was referred from the Railway Board, immediate action was taken in our Ministry." Complaints about the quality of the fluid were also received from the Medical Stores Depot, to which supplies had been made by the Lucknow firm. When the matter was taken up with the firm, they suggested joint tests. Giving the results of this and other tests carried out by the Government Analyst, Madras and the National Test House, Calcutta, the Secretary, Department of Supply stated:

"...the joint inspection was done....The details are very surprising. The first sample tested relates to earlier supplies on 20-2-1964 and the actual requirements are that the Phenol-Coefficient should be 18 per cent for Black, Grade I; 5 per cent for Grade II; White Grade I, it should be 18 per cent. In regard to Coal-tar oil content, it should be 40 per cent in the case of grade I black; 40 per cent in the case of Grade III black; and 25 per cent in the case of Grade I White. Tests were carried out on 20-6-1964 at Medical Stores Depot, Calcutta for Kulti supplies (II batch) and it was found that, instead of 18 per cent, it was 20 per cent for (Black) Grade I, that is, much

higher than the requirement; instead of 5 per cent, it was 6 per cent for Grade III Black. In respect of White Grade I, it was 18.6 per cent, instead of the prescribed 18 per cent. So far as coal-tar was concerned, instead of 40 per cent in the case of Grade III black, it was 40.2 per cent and for Grade I White, instead of 25 per cent, it was 25.1 per cent. . . . Similar tests were carried out from bulk supplies in Calcutta for Kanpur supplies (I batch). The results were more or less the same as in the case of Kulti supplies. Then there a very strange phenomenon occurred. Test samples were drawn and on analysis by Government Analyst, Madras, it was found that the supply was sub-standard. It was found that in Black, Grade III, instead of 18 per cent, the phenol coefficient was less than 1 per cent; in regard to Grade III, instead of 5 per cent, it was less than 1 per cent; and for White, Grade I, instead of 18 per cent again, it was less than 1 per cent. So far as the coal tar oil content is concerned, instead of 40 per cent for Grade I and 40 per cent for Grade III, it was 10.4 per cent and 5.2 per cent; in the case of White Grade I, instead of 25 per cent, it was only 3.1 per cent. But then, when the joint inspection was done, the samples were sent to the National Test House. What is the result? Here again the Phenol Coefficient, instead of being less than 1 per cent, has again come up to 18 per cent in the case of Black Grade I; Grade III, which was less than 1 per cent, the coefficient had come up again to 5 per cent. So far as White Grade I is concerned instead of 17 per cent it came back to 18 per cent. So far as coal tar content is concerned, it was 40.9 per cent earlier it was only 10.4 per cent.

1.97. In view of this the position became very difficult. When the matter was referred to the firm they said that the test report of the National Test House was correct and moreover these samples were taken 18 months ago and surely at the end of 18 months the National Test House, which is a first-class body, had indicated that there was nothing wrong. So they refused to replace the fluid. We consulted the Law Ministry and they said they are very sorry that the firm could not be compelled to replace that fluid."

1.98. Taking note of the discrepancy in the various test results, the Committee enquired whether there was any "interference with the samples made available for tests." The representative of the Director General of Health Services made the following deposition before the Committee at this stage:

"We were puzzled and immediately we took out the samples ourselves from these drums and sent them to three laboratories—King Institute, Guindy; our own medical store depot laboratory, Calcutta and Haffkine Institute, Bombay and all these results were more or less the same showing

that the co-efficient was less than 1. So we had strong grounds to believe that there was some criminal interference at all stages of tests. So we thought that it was a fit case for reference to Central Bureau of Investigation because, Sir, there are some interesting facts in this matter. The complaints which now form part of the Audit para refer only to two complaints but there are other complaints also which have not been included in the Audit para. When we collected certain facts about these complaints on our own initiative we found there is some common ground to believe that this supply tendered for inspection at the time the inspection notes were issued was inherently sub-standard and that all these complaints related to the same inspected store and the stock was inspected by the same inspector on the same day and that the inspection was faulty in several respects. Therefore, we made a reference that this matter should be investigated by the Vigilance from all angles so that the aggrieved parties like ourselves should not be made to suffer the loss. We are now awaiting the results of the Central Bureau of Investigation. We have set out detailed grounds on which we have based our request for criminal investigation."

1.99. The witness also added: "The supply given by the firm against various orders placed by the Railways and ourselves.... formed a huge lot, viz., Batch No. 1. They (the firm)....supplied barrels and drums for inspection of nearly 1,98,000 litres in the samebatch No. 1. But the capacity of the firm is 25,000 litres. Therefore, we were led to believe that the supply tendered by the firm really consisted of several fictitious batches but they were labelled as single batch No. 1."

1.100. The Committee asked the representative of the Central Bureau of Investigation what action had been taken by them. The witness stated: "This case has not yet been investigated by the Central Bureau of Investigation. The facts of this case have just been referred to us. We received the case only on 9th of this month and we have not yet taken up investigation. The reference to us has come from the Ministry of Health. The papers are with us..... The Central Bureau of Investigation had investigated a similar case on their own in 1964, on an information that the same company had supplied sub-standard fluid to South Eastern Railway. That was the investigation taken up by the Central Bureau of Investigation on their own and we made the investigation in 1965 and sent our

report. On the basis of our report, which was scrutinized by the Central Vigilance Commission also, departmental action was taken against a railway officer and the firm was black-listed. That action was completed in 1965. We sent our investigation report and that action following that."

1.101 The Committee enquired why, when it was known that the South Eastern Railway had been supplied sub-standard fluid by this firm, the Southern Railway came to place orders on the same firm. From the information since supplied by the Railway Board, the Committee observe that the supplies to South Eastern Railway were made in November, 1963 and the complaints investigated in March, 1964, i.e. at about the same time similar deficiencies in supplies made to Southern Railway were noticed.

1.102. The Committee asked what loss Government sustained as a result of the sub-standard supplies received. The representative of the Railway Board stated that the sub-standard fluid was consumed, though not exactly as a disinfectant, as a deodoriser. The representative of the Directorate General, Health Services stated that the loss was "the value including freight—Rs. 99,602.09."

1.103. The Committee note that 2.14 lakhs litres of disinfectant fluid supplied by a firm to the Southern Railway and the Medical Stores Depot, Madras, turned out to be sub-standard and could not be used for the purpose for which it was obtained. The firm could not, however, be compelled to replace the fluid as legal opinion obtained by Government indicated that the supplier was not obliged to replace it. The Committee also note that tests on the fluid conducted at different stages produced varying results and that Ministry of Health suspect that there was "some criminal interference at all stages of tests", apart from possible mis-representation by the firm about the dates of manufacture of the fluid. As the matter is stated to be under investigation, the Committee would like to await the results of the investigation.

1.104. Two aspects of the case, however, call for comment at this stage. The chronological account of the developments in the case as furnished to the Committee by the Railway Board suggests that effective action on the complaints was not taken by the Director General, Supplies and Disposals promptly enough. In fact, a year after the complaint was lodged, the Director General, Supplies and Disposals informed the Railways incorrectly that the complaint was not lodged before the expiry of the stability period of the fluid. The Committee would like Government to examine how far the proce-

dure adopted by the Director General, Supplies and Disposals, in processing the complaint was instrumental in frustrating Government's claims against the firm for the deficiencies in the supply. The Committee also notice that the Railways on their part asked the Director General, Supplies and Disposals to procure 18 months' requirements, without specifically considering that the stability period of the fluid was only six months. The Committee note that the specification for the fluid has since been revised to 12 months. They hope that in future the Railways will ensure that supplies are not indented for at any one time for a period in excess of the prescribed stability period of the fluid.

II

INDIA SUPPLY MISSION LONDON

Avoidable Expenditure

Audit Paragraph

2.1. In September, 1962, the India Supply Mission, London, entered into an agreement with a Company which was to work as its shipping agents for a period of five years. The agreement provided that the Company would finance itself out of the customary forwarding agents' commission it received from the shipping lines and would not charge any remuneration from the Government. The agreement further stipulated that Government could terminate the agreement earlier either for breach of agreement by the agents or because of their failure to discharge their duties satisfactorily.

2.2. In June, 1964, the Company asked for a revision of the agreement on the grounds that they were incurring losses. Instead of rejecting the offer of the Company straightaway as they were entitled to do, the Supply Mission agreed to re-negotiate terms with the Company. Apparently, as a result of this negotiation, the Mission decided to call for fresh tenders for the period already covered by the agreement and informed the Company on 8th October, 1965 that their agreement with the Company would be terminated from 31st March, 1966. Tenders were thereafter invited—on 15th October, 1965—and new shipping agents were appointed with effect from 1st June, 1966 on the terms that they would get remuneration at the rate of 19 sh. per package and that the agents would have to surrender to Government all commission earned by them from the shipping lines in excess of £ 7548 per annum. Thus in agreeing to the foreclosure of the agreement with the Company, an undue liability by way of payment to the new agents was taken by Government for the period 1st June, 1966 to 23rd September, 1967. The extra expenditure on this account which the Government have borne from 1st June, 1966 to 28th February, 1967 alone works out to £ 11,919 (Rs. 2.50 lakhs); Government have to bear further liability on this account upto 23rd September, 1967.

2.3. As the old agreement was terminated with effect from 31st March, 1966 without ensuring that the new agents would be in a position to start functioning from that date and the new agents were appointed with effect from the 1st June, 1966, the old shipping agents were asked to continue to work during the intervening period of two months on a remuneration of £ 3,000 per month less

the forwarding agents' commission. The net payment made to the agents was £ 5,045. This payment too could have been avoided if the Government had not committed themselves in advance to terminate the original agreement on 31st March, 1966.

2.4. It has been stated by Government (May, 1967) that the termination of the original agreement was made to save losses to the Company. It has also been stated that the termination of the agreement with the old agents could not synchronise with the appointment of new agents as, at the time Government decided to terminate the agreement, it was not possible for them to foresee when the new agents would take over. It has not, however, been explained why the termination of the original agreement could not have been made contingent on, and synchronous with, the start of the new one. [Paragraph 106, *Audit Report (Civil)*, 1968]

2.5. The Committee pointed out that the agreement with the original shipping agents, executed in September, 1962, would, in the normal course, have run upto the 23rd September, 1967, had it not been prematurely terminated. Government was not to pay any remuneration as such to the agents, as the agreement provided for the agents financing themselves, out of the commission earned from the shippers on the Government cargo booked by them. With the premature termination of the agreement and the appointment of new shipping agents, Government became obliged under the terms negotiated, to pay a definite remuneration. The Committee enquired what was the remuneration so paid to the new shipping agents for the period (1st June, 1966 to 23rd September, 1967) for which the agreement with the old agents would have continued but for its termination. The Department of Supply have stated in a note that the remuneration paid during the period June, 1966 to September, 1967 was £ 19,320.

2.6. Noting the fact that the agreement with the old agents was terminated by Government to save losses to the agents, the Committee asked whether the agreement provided for its termination on those grounds. The Department of Supply have stated that the agreement did not contain any such provision. The agreement was to remain in force for 5 years unless terminated by Government "for breach of any provisions of this agreement" or because of "not being satisfied with the performance of duties of the agent." The Committee enquired why the agreement was foreclosed when none of the foregoing exigencies occurred. The Department of Supply have stated:

"Although there may be no provision in the contract itself for the grant of some remuneration, Government as an employer does have some moral obligation to see that those who are serving them well are not put to loss for no fault of their own; specially, since otherwise the service given is likely to suffer with possible resultant inefficiency and loss to Government."

"M|s..... (the old shipping agents) had served the Government of India faithfully for over 30 years and the forwarding agency agreement had proceeded on the understanding that the U.K. cargoes would be in the neighbourhood of 30 per cent and continental cargoes about 70 per cent. No commission was earned by the forwarding agents in respect of U.K. cargoes. They were to finance themselves from the 2-1|2 per cent commission earned by them on continental shipments. The Chinese aggression in 1962 resulted in a major and continuing switch over of purchases to U.K. Consequently the commission earned by them on continental shipment was inadequate to cover all their expenses."

"By entering into forwarding agency arrangements with M|s.....X in 1962, the Government of India not only saved the remuneration which had been given to the forwarding agents in the past, but also it had saved not less than £ 42,000 per annum by retrenching the staff doing the shipping work in the I.S.M., London."

"At the time the agreement was entered into, it was expected that 70 per cent of the cargoes would be from the Continent and 30 per cent from U.K. To the extent, therefore, that the U.K. cargoes rose above 30 per cent, to a degree that was not expected by the forwarding agents, there could be no objection to giving some *ex-gratia* consideration to the proposal made by M/s . . . X. As pointed out above the expenditure in any case was much less than what was being incurred by Government before the special arrangements were made in 1962."

".....There is nothing to prevent Government where firms incur loss from considering their case for reasonable compensation on an *ex-gratia* basis. It is submitted that while Government had no legal responsibility, they as a progressive employer, should not necessarily limit their action to what is dictated by legal consideration. The equities of the case merited consideration."

2.7. The Committee pointed out that Government committed itself to the termination of the agreement with effect from 31st March, 1966, even before they had invited tenders for appointment of the new agents. The Committee enquired why this was done. The Department of Supply have explained the position in this regard as follows:

"In view of losses being incurred by the shipping agents they were pressing Government since 1964 for a revision of the agreement. Government were, however, insisting in its continuance. Ultimately, in June, 1965, the firm again pressed to be absolved of the agreement as soon as possible but not later than 31st December, 1965. After examining the matter, Government decided not to relieve them from 31-12-1965 but asked I.S.M., London to re-invite tenders for appointment of new agents and to inform the shipping agents that the agreement would be terminated by mutual consent with effect from 31-3-1966 and not from 31-12-1965. Although the intimation regarding the cancellation was actually sent on 8-10-1965 before inviting tenders on 18-10-1965, the cancellation was to be effective from a subsequent date, i.e., 31-3-1966. It was expected to appoint the new agents by 1-1-1966 with their total assumption of duty by 31-3-1966.

The end of financial year was a convenient point of time to make changes".

2.8. Audit have in this connection brought to the notice of the Committee that though the agreement was foreclosed "on the ground of the firm having been suffering losses and on *ex-gratia* considerations" the firm did not agree even to make their books available for checking the losses.

2.9. The agreement with the old agents was terminated with effect from 31st March, 1966, but the new agents could start functioning only with effect from 1st June, 1966. For the interregnum, the old agents had to be asked to continue, but on payment of a sum of £5,045, which would not have been payable, had the old agreement continued in force. The Committee enquired on what calculations Government decided to terminate the agreement with effect from 31st March, 1966 and whether, if the agreement was to be terminated at all, *ex-gratia*, it could at least not have been stipulated that the termination of the agreement would be conditional on

the arrangement being made for the appointment of the new shipping agents and synchronous with the start of the new agreement. In their reply, the Department of Supply have stated :

“Government envisaged that it would be possible to appoint the new shipping agents by 1-1-1966 with the total assumption of duties by 31-3-1966. Unfortunately, however, this expectation did not materialise. It may be submitted that the shipping agents were maintaining large staff and it was necessary for them to know a definite date sufficiently in advance as they were morally and legally bound to give appropriate terminal notice to their employees”.

2.10. The Committee enquired whether appointment of the new agents by I.S.M., London required Government's approval. If it did, the Committee asked why was it not anticipated that the matter would take time and that it would be risky to give any commitment in advance about the date from which the agreement with the old agent would be terminated. The Department of Supply have replied: “I.S.M. had to obtain Government's approval for the appointment of new shipping agents which they did. The normal time that was expected to be taken for the appointment of the new shipping agents was duly taken into consideration and accordingly the commencement date of the new agreement was specified in the invitation to tender as 1-1-1966 with the total assumption of duties by 31-3-1966”. The Committee asked whether there was delay in finalising the tender for the appointment of the new agents. They have been informed: “There was some delay in finalising the tender for the appointment of new shipping agents.

The reasons for the delay are briefly as follows :

“The I.S.M., London issued tender enquiries in response to which several offers were received. After scrutinising these offers, I.S.M. forwarded their proposal to this Ministry recommending acceptance of the lowest offer of M/s. Y. The quotations submitted by the two lowest tenders were considered too high. I.S.M., London were, therefore, asked to negotiate with the tenderers for a reduction of rate. They were not able to come to an agreement and it was felt that it would be necessary for the Ministry to carry out negotiations with these two firms in India. I.S.M. were, therefore, asked on 8-2-1966 to request the two firms

to depute their representatives to India for discussions and negotiations. The firm's representatives could come to India in March, 1966 only. Negotiations were carried out on 3rd, 4th and 5th of March, 1966. Even though M/s. X agreed to reduce their offer by £5,000 (which was quoted as £32,000), their price was considered high. Negotiations were, therefore carried out with M/s. Y. They were informed that M/s. X were having the contract with the Government of India on "No payment" basis and that they financed themselves out of the commission earned from the shipowners on cargoes booked on the Continent. The firm's representative agreed to give credit to the Government for any customary forwarding agent's gross commission that they might get on the European shipment less a sum of £ 7,548 representing the outside profit which they would lose if they were to get the commission on continental shipments.

Regarding assumption of duties, they stated that as they would have to set up a new unit for the work, they would not be able to start functioning before 1-6-1966.

While terminating the old agreement and entering into the new one, the Government had in view that the lowest rate should be obtained without disturbing the shipment of stores during the intervening period. It was very important from point of view of the safe carriage of valuable governmental cargoes that there should be no gap or uncertainty in the arrangements before a new firm of forwarding agents were appointed. However, as explained above, the circumstances were such that there was some inevitable delay in the finalisation of the new agreement."

2.11. Audit have brought the following matter to the notice of the Committee, as a sequel to the termination of the agreement with the old shipping agents:

"While M/s. X (the old agent) acted as agents to Government of India in respect of contracts placed in London, there was another firm, M/s. Z appointed as shipping agents by the Shipping Coordination Committee of the Ministry of Transport, in respect of contracts signed in India. The original agreement with this firm was on terms identical with the terms of the firm M/s. X. The upward revision of remuneration as a result of premature closure of the

agreement with M/s. X gave rise to a similar claim for increase in the remuneration of M/s. Z. Revised agreement had, therefore, to be entered into with this firm providing for payment of remuneration as under:

- 1 per cent of the value of freight on all U.K. shipments ($\frac{1}{2}$ per cent in the case of all steel shipments from the U.K.) provided that the total remuneration both by way of commission at 2-1|2 per cent from the ship-owners in respect of shipments from Europe as well as on account of payments from Government of India in terms of this formula will not exceed 1.75 per cent of the total freight on both Continental and U.K. shipments."

2.12. The Committee note that an agreement executed by the Indian Supply Mission with a firm of shipping agents, which in the normal course would have run upto 23rd September, 1967, was prematurely terminated by Government with effect from 31st March, 1966, on an ex-gratia basis, to save losses to the firm. In the result, Government incurred an extra expenditure of £19,320 by way of remuneration to a new firm who were appointed as shipping agents. Further, as the appointment of the new agents could not be synchronised with the termination of the agreement with the old agents, the old agents had to be asked to continue for the interregnum on payment of a sum of £5,045, which would have been avoided had the agreement executed with them continued to be in force. The Committee also understand from Audit that the termination of the agreement gave rise to a claim for the revision of an agreement executed by the Ministry of Transport with one of their overseas agents which had also to be agreed to.

2.13. The Committee consider it unfortunate that Government should have come to a decision on the termination of the agreement without fully weighing the consequences of the decision. What the Committee find hard to understand is why Government committed itself to the termination of the agreement, before even tenders for the appointment of the new agents had been called. Government were hardly in a position to assess what the cost of their commitment was going to be. Government have stated that they agreed to the termination on the "equities of the case", but it is not clear how a decision in this regard could be arrived at when the firm did not agree "even to make their books available for checking the losses." The Committee cannot resist the impression that, in arriving at a decision to terminate the agreement, the interests of Government were not adequately safeguarded.

III

GENERAL

3.1. The Committee have not made recommendations/observations in respect of some of the paragraphs of the Audit Report (Civil), 1968, relating to the Department of Supply. They expect that the Department will none-the-less take note of the discussions in the Committee and take such action as is found necessary.

NEW DELHI;
March 7, 1969.

Phalguna 16, 1890 (Saka).

M. R. MASANI,
Chairman,
Public Accounts Committee.

APPENDICES

APPENDIX I

(Ref. Para 1.8 of the Report)

DELHI TEL—33082.

No. 67509/Comp. 365 Cim|152|ES|BRD

DIRECTORATE GENERAL BORDER ROADS

Kashmir House

DHQ PO New Delhi-11

12 September, 1964

To

Shri.....

Dte. General & Supplies & Disposals.

New Delhi-1.

SUBJECT:—Procurement of Air Compressors 350 CFM,

Ref:—(i) Our letter of even number of 9 September, 1964.

**(ii) CPT's letter No. AKM/PDC/9/7 of 2 September, 1964,
addressed to DGS & D and copy to us.**

**(iii) M/s..... letter No. COMP/CI/42/64 of 9 September,
1964 addressed to DGS&D, copy to us.**

It is noted that after the tenders have been opened and discussed, firms have issued amendments to their quotation both in the form of specification to the main equipment, prices and delivery schedules without being asked for the same.

2. In view of the fact that such communications have been taken note of by you and consideration given, we are not now in a position to accept the validity of the statement made by the firms.

3. In their quotation Messrs [.....] indicated capacity of Air Compressor as 350 cfm which now has been indicated as 365 cfm vide their letter No. COMP/CI/42/64 of 9 September, 1964, received subsequent to our letter of even number of 9 September, 1964. The change in the capacity has been made without any alteration in the design or additions to the equipment. Since we are not familiar with this size and type of equipment offered by M/s. [.....] we are unaware of its performance.

4. Before a decision is made for the procurement of the one type or the other, if cognisance is to be taken of M/s..... letter of 9 September, 1964, it is considered that their equipment should be made available for trials at their expense so that it can be checked against that of M/s CPT under identical conditions conforming to conditions stated in our indent.

5. Please state that such an arrangement can be made to carry out these trials.

Sd./-

for Director General of Border Roads.

Copy of letter No. Comp/CI/42/64 dt. 9-9-1964 from M/s..... to DGS & D and copy to DGBR, New Delhi

Kind Attn.: Shri S. S. Jagota

SUBJECT:—Tender No. SV-247/13(a) IV Opened on 5-5-1964 for the supply of Air Compressors.

Dear Sir,

With reference to the above enquiry and our offer of even number dt. 4th May, 1964 we have to advise you that the capacity of the machine offered therein is 365 cfm, although in our offer we have mentioned as 350 cfm.

Consequently the offered machine will give a FAD of 365 cfm at NTP, other conditions remaining the same.

The H.P. required at the compressor shaft is about 88 H.P. and the H.P. of the Diesel Engine at N.T.P. is 132 H.P. It is therefore, evident that there is ample margin in the H.P. of the Diesel Engine to drive the compressor even at high altitudes.

We shall be grateful if we receive your valued order which will receive our prompt attention.

Assuring you of our best attention at all times, we remain,

Yours faithfully,

Sd./-

Copy of letter No. AMK/PDC/9/7 dt. 2-9-64 from M/s Consolidated Pneumatic, Tool Company Limited, New Delhi to DGS & D copy to DGBR for attention of Lt. Col.....

Attention: Mr. Dy. Director General (S) File: Tender No. SV1/247/13-A/IV opened on 5th May, 1964.

Dear Sir,

Further to our letter No. AKM|PDC|8|62 of 14th August, 1964 and

the conversation of our Mr. . . . with yourself today. We would like to point out the following:—

- (1) The loss in output in a reciprocating air compressor at high altitude is very much more than the loss of output in case of a rotary air compressor. We are attaching herewith a comparison of operation character of the two types of air compressors on high altitude.
- (2) The CP Model 365-RO-2 has rated output of 365 cfm at sea level conditions. Our competitors' reciprocating machine delivers only 350 cfm at sea level conditions. This means that our output is 4.3 per cent higher than the competitor's machine whereas the price differences is only 2 per cent. Even for surface conditions, you will find that our model 365-RO-2 is more economical. At a critical altitude of 10,000 ft. and above at which the end-users require these compressors to operate, the extra 4.3 per cent delivered air will mean a very big difference in the efficient operation.

The 48 lb. class rock drills require 90 cfm compressed air at 100 psi at sea level conditions. The multiplication factor for 3 such rock drills for operation at 10,000 ft. above mean sea level is 4.0 according to the British Compressed Air Society Handbook. A cyclostyled extract of the multipliers table from the British compressed Air Society Handbook is attached herewith. This means that the compressed air requirement to operate three rock drills at 10,000 ft. altitude is 360 cfm. Even if a reciprocating air compressor delivers 350 cfm at this altitude, you will see that it will not meet the minimum the critical requirement.

From the above and the enclosed note you will see that our model 365-RO-2 will definitely meet the end-users requirements better than say reciprocating machine of comparable size.

Assuring you of our best services at all time, we are,

Yours faithfully,

Consolidated Pneumatic Tool Co. Ltd.

Sd./-

Br. Manager.

APPENDIX II

[Ref. Para No. 1.39 of the Report]

No. CS4-A/Reg.

DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS

(Section CS4 Registration)

New Delhi

Security Proforma for Application for Registration

1. Whether Fee Coupon pasted.
2. Whether signed by the proper authority.
3. Whether general power of attorney is required for the signatory.
4. Whether name and address of the Bankers noted.
5. Whether entries in Application complete.
6. Whether entries in Annexure A complete.
7. Whether list of specific items (in triplicate) for which registration is sought has been given.
8. Whether entries in Manufacturers/Stockists/Agents proforma complete.
9. Whether list of machineries etc. disclosed.
10. Whether documents regarding ownership of factory submitted in case of registration as manufacturer.
11. Whether date of actual production in the factory noted.
12. Whether quality control details are given.
13. Whether current ITCC of firm submitted.
14. Whether current ITCC of partners submitted.
15. Whether list of Directors submitted.
16. Whether Memorandum and Articles of Association submitted.
17. Whether partnership Deed (Original/attested) submitted.
18. Whether extract in Form A from the Registration of the Registrar of Firms submitted.
19. Whether commercial quota licence (for value not less than Rs. 10,000) in case of stockist firm submitted.
20. Test Certificate from the National Test House.

21. Civil reports for loyalty.
22. Drug Licence.
23. Timber proforma.
24. Whether Affidavit declaring the name and address of the proprietor submitted.
25. Profit and Loss Statement.
26. Is the firm blacklisted/Suspended/Banned.

File No. CS4/A/Reg.

PROFORMA FOR *Initial Registration*

Renewal of Registration

1. Name and address of the firm (in case of renewal verify whether there is any change of address).
2. Whether Limited, Partnership or Proprietary.
Whether SSI/CI and if so proof thereof:
4. Application:
5. Whether the signatories are/competent to sign the application:
6. Capacity in which registered/registration sought:
7. Items of Stores for which registered/registration sought (in the case of renewal it should be ensured that there is no change in nomenclature):
8. Documents:—
 - (i) Ownership:
 - (ii) Import Licence:
 - (iii) Drug Licence:
 - (iv) Other Documents if any required:
 - (v) Remarks regarding missing documents: if any:
9. Civil Report:
10. Inspection Report:
 - (i) Items for which registration recommended:
 - (ii) Items for which registration refused:
11. Performance
 - (i) No. of orders received during the last 3 years.

- (ii) No. of orders from DGS & D
(including regional offices)
- (iii) Value of the largest order:
- (iv) Remarks regarding performance:

Financial Standing:—

- (i) Bank Report (in the case of
renewal verify whether there
is any change in the name
of bankers):
- (ii) I.T.C.C.:
- (iii) Authorised Capital:
- (iv) Paid up Capital:
- (v) Reserves:
- (vi) Profits/Loss for the last 3
years:

| | Year Ending: | Year Ending |
|--|--------------|-------------|
|--|--------------|-------------|

- 13. Monetary limit if any for the
last registration:
- 14. Whether black-listed/banned/
Suspended:
- 15. Other Remarks:
- 16. Recommendation:

APPENDIX III

[Ref. Para 1.52 of the Report]

DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS

(Material Estimating Section)

NEW DELHI.

SUB:—*Scarce Industrial Materials Control Order 1965.*

A meeting was held in the room of Shri, Industrial Adviser, DGTD., New Delhi on 31-1-1966 in connection with the allocation of Scarce Industrial Materials for the execution of DGS&D Contracts.

Following were present:—

| | |
|------|--|
| Shri | Industrial Adviser (Engg), D.G.T.D. |
|------|--|

| | |
|------|-----------------|
| Shri | DDG (D), DGS&D. |
|------|-----------------|

| | |
|------|------------------|
| Shri | D.P. (G), DGS&D. |
|------|------------------|

Following points were discussed:—

(a) The control of distribution and acquisition is only in regard to 4 virgin metals; namely, copper, zinc, tin and lead.

(b) Priority indentors for whom allocations will be made in the first instance are as follows:—

- (i) Defence,
- (ii) Railways,
- (iii) P. & T.,
- (iv) Ordinance Factories,
- (v) Public Sector Cos under Defence Ministry,
- (vi) Mints.

The question of enlarging the scope of the priority indentors will be decided from time to time depending upon the nature of such priorities as well as availability of the virgin scarce materials.

(Act on: DGTD & DGS&D).

(c) In regard to ' indents received by DGS&D for such virgin metals an Essentiality Certificate will have to go to the Controller of Scarce Industrial Materials, DGTD indicating the Indentor's name, quantity required and other particulars to enable him to issue permit in favour of a firm or agency. DGS&D will finalise contract on that firm or agency at price fixed in accordance with the price formula approved by Government.

(Action: DGTD & DGS&D).

(d) (i) Ad-hoc As/T and Running Contracts for specific stores for specific priority indentors.

In these cases essentiality certificates will be issued by the DGS&D for quantities to estimated against each A/T & Running Contract and the Controller, S.I.M., DGTD will comply with such requests subject to quantity of scarce raw material being available with him from time to time. In case he is unable to allocate any such material, he will advise us either to cancel the contract or make alternative arrangements.

(Action: DGTD & DGS&D).

(ii) *Rate Contracts*:—

It was reported by the Development Officer that on *ad hoc* basis 50% of the requirements of the manufacturers of common user items was being allocated and a circular will be issued from development Wing to these manufacturers to meet the D.G.S.&D. requirements out of such *ad hoc* allocation and only in case where the Rate Contract holders are not able to meet all supply orders placed on them, they will approach DGS&D for additional allocation and if supported by DGS&D, the Contro'ler of S.I.M. will make efforts to allocate raw material subject to availability.

(Action: D.G.T.D.).

2. A complete list of Rate Contracts where scarce non-ferrous raw materials are required, should be given to the Development Officer & Controller of S.I.M. as early as possible to enable them to issue the circular contemplated in para 1(d) (ii) above.

(Action: D.G.S.&D.).

3. Shri.....Krishnaswamy indicated that quantities of such scarce raw materials that were available with him at present were very meagre and it was not at all possible to meet demands of all priority indentors as also the DGS&D As/T to the full extent and

some sort of rationing had to be adopted to make maximum use of materials available in the country. To that extent he desired DGS &D to negotiate a suitable material provisioning clause at the time of concluding the contracts and as far as possible specify in the A/T use of stock materials even, it means payment of slightly higher rate. This was unavoidable when concluding contracts, particularly for indentors, who are not at present considered as priority indentors and who will not get any allocations.

(Action: DGS&D).

Sd/-

ASST. DIRECTOR (STEEL).

DGS&D U.O. No. MES/PROG/SIM/Policy/1965-66 dt. 1-4-66.

Copy to:—

1. Shri..... Industrial Adviser, DGTD, N. Delhi,
with ref. to his D.O. letter No. IA (NIC)/63 dt. 28-3-66.
2. All Purchase Directors at Hqrs. and Regions by name.
3. P.A. to DG/Addl. DG/DDG (D)/DD (G)/DDG (P).
4. All Liaison Officers with DGS&D by name.
5. Co-ordination Dte.

APPENDIX III

(Ref. Para 1.53 of the Report)

DIRECTOR GENERAL OF TECHNICAL DEVELOPMENT

PREFACE:

This Scarce Industrial Materials Control Order, 1965 as the public is aware, has been promulgated mainly to conserve the precious raw materials and to bring it to most judicious use according to the present needs. I need not emphasise that in the context of the present emergency, the needs of priority consumers like Defence, Railways, etc. claim an overriding priority over other users. The public are therefore requested to fully co-operate with the Government in this endeavour and make the task under the order simpler.

NEW DELHI;

*Director General,
Technical Development.*

N.B: (1) para 6 (a): Acquisition permit:—

This permit is not necessary at present.

- (2) The different Permits in different colours will be issued when Forms are printed. Until then syclostyled Forms on plain sheets of white paper are being used for all permits.

PROCEDURE FOR OBTAINING PERMITS FROM THE CONTROLLER UNDER CLAUSE 4 OF THE "SCARCE INDUSTRIAL MATERIALS (CONTROL) ORDER, 1965, DATED 14TH SEPTEMBER, 1965.

APPROVED BY THE GOVERNMENT OF INDIA, DEPTT. OF MINES & METALS

The following details would clarify broadly, to whom this Order is applicable, as to how and when a suitable permit has to be obtained from the Controller under this control order of 1965 hereinafter called the ORDER and the procedure to be followed after the receipt of the said permit:

1. The order has come into force from 14-9-1965 and Non-Ferrous Metals Control Order of 1958 operating till 14-9-1965 stands rescinded

The instructions issued under the Non-Ferrous Metals Control Order of 1958 automatically lapse. The permits and fabrication permits and authorisation, if any, issued under the old Order, which have not been utilised on or before 14-9-65 are consequently invalid on the promulgation of this Order and should be surrendered for issue of suitable fresh permits under the current Scarce Industrial Materials (Control) Order, 1965, wherever considered necessary.

2. The Order covers scarce metals—namely, Copper, Zinc, Lead, and Tin and scrap in the forms detailed in the schedule to the first Amendment to this Order. It does not, however, apply to fabricated or wrought items like plates, sheets, bars, rods, wire, powder, cast or forged components etc.

3. The Order lays down that any acquisition, purchase, sale, transfer or even *use for any purpose*, of any of these scarce metals| scrap as defined in the schedule, are fully controlled and can be given effect to, only after obtaining an appropriate permit from the Controller. Any such transaction NOT covered by appropriate permit from the Controller in his authority under this new Order, would tantamount to violation of Control Order and so be punishable under the D.I.R. governing this Order.

4. This Order is NOT applicable to any Government Department such Ordnance Factories, Railways, Posts & Telegraphs etc., except in so far as any transaction between such Government Departments and private parties|companies relate. It, however, covers every public and wholly owned Government of India and State Government Undertakings, which are registered under the Companies' Act; unless specifically and separately exempted by the Government and under orders issued to that effect from time to time.

5. The stocks, fresh acquisitions, consumptions|disposals, and pending orders on hand with full details, should be reported to the Controller by the prescribed dates and in the proper form as per specimens at Annexure A. Delays in sending these details should be avoided to help Controller in expeditious discharge of his duties under this Control Order

6. Permits as detailed below would become necessary for specific purpose as described, and will be issued by the Controller to authorise each separate transaction on receipt of the application with particulars mentioned in the Annexures I to IV hereto. Such applications should be submitted with complete details called for and at least *Twenty* days prior to the expected date when the transaction is likely to materialise to avoid any delays in the issue of required permit|permits.

(a) *ACQUISITION PERMIT—(BLUE)*

This permit would be necessary to acquire any of the scarce metals/scrap in any quantity or value and being imported under any type of valid import licence. At the time of the customs clearance this Bill Permit will have to be produced with the Customs clearance copy to the Customs authorities, who would then release the consignment to the holder of this permit as per authorisation of the Controller under the Scarce Industrial Materials Control Order.

Immediately any import licence is received by a party, for any of the scarce materials, he would intimate to the Controller the licence number, date, broad specification of material licensed, total c.i.f. value of the licence and any other condition governing this licence as may have been stated by the licensing authority. This intimation should reach Controller within 15 days from the date of the receipt of any import licence, to enable him to instruct what specific categories of material are to be ordered against this import licence from suitable foreign suppliers. When the party finalise definite orders for materials as instructed and in terms of condition governing this import licence, he should send the details regarding incoming shipments in the prescribed form as per specimen at Annexure BA. Since the foreign suppliers send intimations with shipping documents well ahead of the actual arrival of shipment at the ports, it should not become difficult for any party to intimate the full details called for in the form and obtain the necessary acquisition permit well before the expected arrival of the shipment in the port. Since the acquisition of any of the scarce materials covered under this Control Order is required to be authorised by the Controller, clearance of shipments of scarce materials from the port has to be covered duly by such an Acquisition Blue Permit in order not to violate the current Control Order. When the material is cleared from the customs and taken possession of, the holder of the permit would return the counter-foil back to the Controller within 15 days from the date of acquirement, completing the details called for in that counterfoil attached to his acquisition permit. This authorises him to hold the materials in stocks only but not for selling or using in any other way unless he obtains a separate permit to that effect from the Controller thereafter. This Acquisition permit should be duly kept on record and posted in the Stock Ledger in reference to the stocks of scarce industrial materials acquired from time to time.

(b) *PURCHASE PERMIT (YELLOW)*

This Yellow Permit authorises a party to purchase any controlled scarce metals/scrap from those Agencies who previously acquired or going to acquire these materials through valid acquisition per-

mit, or otherwise lying in stock or produced indigenously. The sale would be permitted only to such parties, and only for such categories and quantities of each scarce metals as are definitely specified in the permit, and only at prices as admissible under the Order. Original copy will be issued to the linked purchasers indicated in the permit to authorise him to obtain the specified materials from that seller and Duplicate will be issued to the seller. Each purchaser will return to the Controller direct, the certificate in coupon attached to his copy filling in the required details therein, immediately after receipt of the material from the seller. Each seller shall likewise send the certificate in the coupon attached to his permit to the Controller after filling in the required details.

Specimen application form to be used by parties covered under this para to apply for Purchase Permit, when necessary, is indicated at Annexure BA-1. Controller is, however, free to issue Purchase Permits even without receipt of any such application, when considered necessary, in the broad interests of current priority needs.

(c) *CONSUMPTION OR FABRICATION PERMIT (GREEN)*

Every actual user/fabricator industrial unit or party have to obtain this GREEN Permit from the Controller for consuming or processing any quantity of scarce materials in any of their manufacturing activities hereafter, irrespective of the fact whether they may or may not have acquired/received the material under a sale/transfer permit issued by the Controller or hold such materials in their stocks.

Details are to be furnished to the Controller in prescribed specimen form (Annexure BF) after purchase or for the stocks on hand. Permits will be issued by the Controller in the context of the certified production needs, estimates of consumption and the needs of end product in the order of priorities. As and when necessary, to meet such priority needs, the Controller can attach a list to this Green Permit, giving names of parties and quantities and specifications of such products which will have to be manufactured and supplied. Such supply would be binding on the fabricator or manufacturer holding the Green Permit.

Application for this Permit must be addressed to the sponsoring authorities who have placed such orders with proper reference to the estimated needs of such material with specifications and quantities; who in turn will exercise his check and certify essentiality of such needs and forward the application to the Controller for issue of Fabrication Permit.

The Controller reserves his rights to check any fabricators' capacity to physically consume the certified metals for production of such end products. This permit is, therefore, meant *only* for industrial manufacturing units and will not be issued to intermediary dealers or selling agents of any semi-finished products.

(d) *TRANSFER PERMIT—(RED)*

This Red Permit would be issued by the Controller only to those firms or units whose acquired stocks of scarce materials are required to be passed on partially or wholly to some other fabricating firm or unit. The physically transfer of material from one factory to another under the same management or group of companies require a permit.

This Transfer Permit will be necessary where same party having acquired the scarce metals desires to pass on the same to another unit for conversion into semi-fabricated materials like sheets, rods, castings etc., or any other semi-finished/finished products authorised under the Fabrication Permit.

On submission of proper details in prescribed specimen from (Annexure BT) through the sponsoring authority and upon receipt of an essentiality certificates from him the Controller will issue this Red Permit to concerned Transferring Unit, indicating therein specification, quantity and the Unit to whom the material is to be transferred (with due reference to the acquisition permit of that materials); also the specification and quantity of the products to be fabricated out of the same for fabrication and return to the transferer as well as the end product to be supplied by transferer. Receipts in counter-foils or slips attached to the Permit and their copies would be sent back to the Controlled by concerned holders of this class of permits as soon as the tasks authorised under the Permit are completed.

The fabricating unit working on conversion order and using this Transfer Permit material will have to obtain separately a proper Green Fabrication Permit before the material can be legally used up for such a purpose. This Green Permit will be issued by the Controller only on the certificate of appropriate sponsoring authority and, as far as possible, simultaneously with the issue of the Transfer Permit itself. The Controller will no doubt ensure that Green Fabrication Permit against a Red Transfer Permit of scarce industrial material is issued only to such industrial unit/units who are authorised for the concerned manufacturing activities under Government regulations, and have proper established fabrication capacity for the

purpose. This is quite necessary to prevent any wastage of scarce materials as also unnecessary delays and obstacle in final fulfilment of deliveries required against, essential urgent orders placed by DGS&D, D.G.O.F., etc.

While the number of permits enumerated in the procedure would appear to be somewhat large, it is the intention of the Controller to issue different permits simultaneously in order to avoid delays. For instance, a sale and a Purchase Permit and in many cases the Fabrication Permit also will be issued concurrently and so on.

7. Permits emanating from the Office of the Controller of Scarce Materials will have to have a direct bearing on essential end users. Essentiality Certificates from sponsoring authorities are, therefore, necessary to secure specific permits from the Controller; apart from full details required to be furnished for issue of such permits.

To speedily implement the authority vested for issuance of such Essentiality Certificates such authorities are restricted at present only to the following Government authorities who will certify in proper prescribed form (Annexure D). If necessary, the scope could be extended to other authorities as and when considered essential. It would also be necessary for smooth and uninterrupted execution of Controller's responsibilities, that each of the following authorities certifying Essentiality Certificate nominate only one or two senior officers of their establishment for issue of such Certificates. This centralisation of authority would effectively and centrally coordinated such priorities as also safeguard the control from any surreptitious or unauthorised activities effectively.

While issuing permits, the needs of the sponsoring authorities as given hereunder will be taken into consideration before considering other cases. These are only guide lines and the Controller is fully empowered to use his discretion for grant of permits in emergent cases calling for immediate action. Such cases will be confined generally to defence orders.

(1) Dte. General of Supplies & Disposals—primarily those relating to meeting defence requirements and essential services of Railways, P&T, etc.

(2) Service Headquarters.

(3) D.G.O.F.

(4) Railway Board for Railways.

(5) Atomic Energy Commission.

(6) D.G.T.D. for all the units on their books.

(7) Dte Genl. of Posts & Telegraphs—for P&T & Communications.

(8) Deptt. of Iron & Steel—for Steel Projects.

(9) Deptt. of Petroleum & Chemicals.

(10) Nominee of each of the Public Sector Projects & State Government Factories.

(11) Central Water & Power Commisison—for all Power Projects and Electricity Boards and River Valley Projects.

(12) D.C. (SSI)—for all small-scale industries in various States.

(13) Ministry of Food & Agriculture.

(14) Ministry of Finance—for Mints.

(15) State Governments for essential services (power, water and sanitation and transport undertakings).

(16) Export Promotion Dte. Handicrafts Board.

8. Every permit issued by the Controller will be valid only for *SIXTY* days from the date of its issue. Although, there is a provision for extension of this validity period, only if submitted well within its validity period, and under reasons beyond control of the permit-holder, it is expected that such necessity should not arise. Permit holders are expected to fulfil the formalities and directives under each permit as expeditiously as possible. Wherever considered necessary, the Controller will call for a recommendation from concerned sponsoring authority before granting necessary extension of validity period of any permit. Working on any expired permit without proper revalidation would tantamount to an offence under the Order.

9. All parties concerned with the provisions of this Order will be required to maintain clear and detailed records of all receipts, sales, exchanges, consumption, stocks etc., under appropriate permits for the scarce materials handled by them, in the form of proper ledger books with proper permit references. These records would be liable for checks by Controller or an officer of his department duly authorised by him, as and when considered necessary. Every party is requested to cooperate fully with the Controller in this behalf. In case of any disputes arising thereof under the provisions of the Order, the decision of the Controller shall be deemed as final.

Statements of monthly stocks, sale and production or consumption upto end of the month must invariably reach the Controller before the 5th working days of the succeeding month. These returns would be in prescribed specimen Form (Annexure 'A' and 'E').

It should be noted that any irregularity in submission of these monthly statements would tantamount to violation of the Order.

10. *Fixation of Prices.*—The prices for the scarce materials/scrap covered under the First Amendment to the Act shall be fixed by the Controller, whenever necessary and strictly in accordance with the formulae stated in clause 7 of the Order. Details and documents required in this connection must be submitted by those concerned.

11. The provisions of this Act, in contrast to the old Non-Ferrous Control of 1958, covers the indigenous producers/smelters/refiners also in respect of any of the scarce metals mentioned in the First Amendment to this Order of 1965. Concerned parties should send detailed information required under this procedure. The returns of metal production from this class of producers should come in Specimen Form (Annexure E).

*12. It is also clarified for attention of all concerned dealing in "Scrap" covered under the First Amendment to this Control Order that declaration of stocks to the Controller and permits for sales, auctions, consumptions etc. would be absolutely necessary hereafter and such permits must be duly obtained from the Controller before hand. Public Auctions of scarce metal scrap, even by Government Deptts., and Concerns (who are otherwise exempted from this Order) would have to be only with proper prior consent and Permit from the Controller, since the commercial party on the other side is fully coming under the provisions of this Control Order. The price for such transactions shall be fixed by the Controller.

13. Realising the scarcity of these four metals at present and also the available indigenous production and stocks of semis falling outside this Control, every recommending authority and concerned parties, should exercise strict discretion in demanding virgin scarce metals. Wherever semis like sheets, rods, tubes, wires, brass, bronze or alloys are directly required, these should be asked for, and the Controller with full cooperation of indigenous manufacturers in the country, would help to provide such items directly, as far as possible, without causing any drain on the very limited current availability of virgin scarce metals.

* N.B.—Paragraph 12 above should be treated as cancelled as scarce metal scrap has been decontrolled.

ANNEXURE 'A'

Forms for Submission of Details

1. Stock Returns (1st lot to be sent by 1-11-65).

| Material & exact category | Qty. in kgs. or M. Tons in stock as on 14-9-65 | Qty. consumed/ supplied up to 30-10-65 | For specific production of & supply to | Balance Qty. on hand as on 30-10-65. |
|------------------------------|---|--|--|--|
|------------------------------|---|--|--|--|

2. Statement of expected arrivals (To be submitted by 30-10-65).

| Import Licence No. dated and CIF Value | Material & Category | Invoice No. & date with true copy | Supplier's name and address | Port of arrival | Qty. in the consign- ment | Expected date of arrival | Name of ship |
|--|---------------------------|--|-----------------------------------|--------------------|------------------------------------|--------------------------------|-----------------|
|--|---------------------------|--|-----------------------------------|--------------------|------------------------------------|--------------------------------|-----------------|

AND/OR

AND/OR

| Linking letter number & date | Supplier's name and ad- dress | Material & Category ordered | Qty. & value allowed | Deli- very date given by suppliers | Price per M/tons quoted by supplier | Required for what specific use |
|---------------------------------|-------------------------------------|--------------------------------------|----------------------------|--|---|---|
|---------------------------------|-------------------------------------|--------------------------------------|----------------------------|--|---|---|

3. *Regular Monthly Stock and consumption return*

(To be submitted to Controller before 5th of succeeding month)
 figures to be in Kgs. or M/tons for the month.....1965/1966.

| Metal & its category details | Opening stock on the 1st month | Consumed during whole | Acquired during the month (with Acq. Permit ref.) | Balance closing stock on last day of month | Detailed purpose of con- sumption for the Qty. shown in Col.) 3 | Remarks, if any |
|------------------------------------|---|-----------------------------|--|---|--|--------------------|
|------------------------------------|---|-----------------------------|--|---|--|--------------------|

(N.B :—Each return to be duly signed with date and office seal. The name and designation of the signatory to be typed clearly below the signature).

ANNEXURE 'E'

Monthly Stock Statements to be submitted by indigenous producers/Smelters/Refiners

| Metal & its category details | Stocks at the beginning of the month | Produced/ acquired during the month (with Acq. Ref. No.) | Consumed/ sold during the month | Details of consumption/ Sale with Permit number | Balance at the end of the month |
|------------------------------------|---|---|---------------------------------------|---|--|
|------------------------------------|---|---|---------------------------------------|---|--|

ANNEXURE "BP"—II

Particulars to be furnished by the Importer in respect of—

(a) The Consignment of Scarce Industrial Materials cleared against Acquisition Permit issued from this Office

- 1. Name and full address of the importer.**
- 2. Acquisition permit reference number and date.**
- 3. category and quantity in kgs. or metric tons.**

(b) In respect of the Consignment of Scarce Industrial Materials lying in stock or expected to arrive shortly for which no Acquisition Permits has been received or applied for

- 1. Name and full address of the importer.**
- 2. Import licence number and date.**
- 3. Category of Scarce Industrial Materials.**
- 4. Indian Port of arrival.**
- 5. Date/month of arrival and name of vessel.**
- 6. Quantity in kgs. or metric tons.**
- 7. A certified copy of the foreign suppliers invoice.**
- 8. Name of the actual users in case the material has been imported against previous linking or letter of authority.**
- 9. In case of import for more than one actual users the quantity in kgs. or metric tons for each unit should be mentioned separately.**
- 10. Particulars to be furnished in respect of stocks desired to be acquired/sold against any earlier commitments:—**

- (i) Name and full address of the firm.**
- (ii) Letter/Order reference with date, indicating the commitment made.**
- (iii) Category and quantity in kgs. or metric tons.**
- (iv) Name and address of the firm with whom such commitment has been made.**
- (v) Purpose for which material is required.**

ANNEXURE "BA"—I

Particulars required for issue of Acquisition Permit after placing orders for Import of Scarce Industrial Materials

1. Name and full address of the firm.
2. Import Licence number and date with total C.I.F. Value.
3. Category of Scarce Industrial Materials.
4. Shipment brand and mark.
5. Indian Port of arrival.
6. Date/month of arrival of shipment and name of vessel.
7. Quantity in kgs. or metric tons for each category in consignment.
8. Price and rate in the invoice.
9. Foreign Suppliers' name and address.
10. A certified copy of the foreign suppliers invoice.

ANNEXURE "BF"—IV

*Particulars to be furnished by the firm in respect of consumption/
Fabrication Permit*

1. Name and full address of the fabricating firm.
2. Reference number and date of Acquisition/purchase/Transfer Permit.
3. Category each of scarce industrial materials.
4. Quantity in kgs. or metric tons of each category of scarce industrial materials to be consumed/fabricated on behalf of other party.
5. Items of manufacture and quantity of each category of scarce industrial materials required indicating rate/basis of consumption calculated.
6. Name of the sponsoring authority with reference to his essentiality certificate, if any, obtained.
7. Priority for manufacture desired and any definite supply instructions received for the mfgd. products.

ANNEXURE "BT"—III

Particulars to be furnished for issue of Transfer Permit

- A. In respect of scarce industrial materials imported/acquired against Acquisition/Purchase Permit.**
1. Name and full address of the firm.
 2. Acquisition/Purchase Permits number and date.
 3. Name and full address the firm to whom the materials will be transferred for processing/fabrication.
 4. Categories of materials and quantity each required to be transferred.
 5. Items to be produced from these transferred materials and the final end products for which the fabricated material will be utilised with name of the party using it. (Reference to D.G.S. & D. or Government Order, if any, be quoted).
- B. In respect of scarce industrial materials other than those imported/acquired against acquisition/purchase permit.**
1. Name and full address of the firm.
 2. Import Licence number and date.
 3. Name of the sponsoring authority on whose recommendation the materials have been imported.
 4. Category of scarce industrial materials.
 5. Indian Port of arrival.
 6. Date/month of arrival and name of vessel.
 7. Quantity in kgs. of metric tons for each category.
 8. A certified copy of the foreign suppliers' invoice.
 9. Name and full address of the firm to whom the materials will be transferred for processing/fabrication; price of materials.
 10. Items to be produced from transferred materials; and the actual end use of the fabricated product, as also the party who is to use the product.
 11. Order reference number and date, and order placing authority for details in (10) above.

ANNEXURE 'D'

Essentiality Certificate

(To be sent direct to the Controller in Udyog Bhavan)

Office of the _____

No. _____, dated _____

Certified that M/s. _____

_____ be authorised to acquire and consume in their own works, following scarce Industrial materials; for purpose as indicated:—

| | | Qty. in kgs. or M/tons | Value in Rs. | For making |
|--------|---|------------------------------|-----------------|---------------|
| Copper | (i) Fire refined or blister | | | |
| | (ii) Ingots, etc. | | | |
| | (iii) Wire bars, etc. | | | |
| | (iv) scrap (all types) | | | |
| Zinc | (i) Ingots, cakes, slabs of electro quality. | | | |
| | (ii) G. O. B. Quality | | | |
| | (iii) Granulations | | | |
| | (iv) Prime Western | | | |
| | (v) Zinc Die Casting alloy | | | |
| | (vi) scrap (all types) | | | |
| Lead | (i) Pig Lead | | | |
| | (ii) Antimonial Lead | | | |
| | (iii) Scrap | | | |
| Tin | (i) Tin Block | | | |
| | (ii) Tin scrap | | | |

The above consumptions are duly checked and considered essential for the manufacture of (Qty.) _____ of (Stores) _____

_____ against Order No. _____ dated _____

_____ and for supply to (Consignee) _____

_____ by (date) _____ on priority.

The rate of consumption is _____ kgs. of (Material)
 _____ for making (qty.) _____ of (stores) _____

The above stated materials would be required to be transferred
 to M/s. _____ for conversion into (semi products _____
 _____) and to be supplied back for further
 use in the works of above certified party to fulfil the order placed on
 them.

(Please delete whatever is not applicable; and add what further
 details are considered necessary to establish priority and help early
 disposal).

Date..... Seal.

Signature of Certifying Officer.
 State also (Name, Designation & Tel. Number)

APPENDIX V

[Ref. Para 1.95 of the Report.]

MINISTRY OF RAILWAYS

A chronological history of action taken by the Railway is given below :—

Batch—I Lucknow Supplies

- 4-3-64 Report received from the Chemist & Metallurgist, Perambur that supplies do not fully conform to the specifications as they contained lesser coal tar acids and oils than the minimum of 40% specified in IS-1061-1957.
- Do. Further samples sent to Distt. Medical Officer, Perambur for necessary germicidal value tests.
- 18-3-64 Distt. Medical Officer advised that the samples did not have adequate germicidal action.
- 2-4-64 Consignee advised Director of Inspection, Madras that supplies are not found up to specification. Copy of this letter endorsed to Asstt. Inspecting Officer, office of the Dy. Director of Inspection, Kanpur.
- 8-4-64 Consignee advised D.G.S. & D. , New Delhi that supplies were found not up to the specification and that Director of Inspection, Madras had been asked to take random samples.
- Do. Consignee reminded D.O.I., Madras to hasten test results.
- 30-4-64 Inspecting Officer Engineering, Kanpur, advised Director of Inspection, Madras to visit the consignee Depot and investigate the discrepancy and advise him the number of unsealed drums received by the consignee so that he (Director of Inspection, Kanpur) could urge the firm for replacement.
- 8-5-64 Firm advised D.O.I., Kanpur with copy to Controller of Stores commenting on the letter of 2-4-64 (noted above) a copy of which had been forwarded to the firm by the Director of Inspection, Kanpur.
- 18-3-64 D.O.I., Madras reminded by the consignee sending him a copy of firm's letter referred to at 8-5-64 and Director of Inspection letter of 30-4-64.
- 20-5-64 Firm advised C.O.S., Southern Railway and the consignee that they are deputing their representatives to call on them on 25-5-64 for a settlement on the case.

- 20-5-64 D.O.I. advised consignee that none of the barrels (balance 21 barrels) bore the facsimile of Kanpur Inspectorate and reference should be made to D.O.I., Kanpur in the matter. In the relevant inspection note it has been shown that only some of the drums had been stencilled.
- 4-6-64 Consignee advised by C.O.S. to freeze all stocks as Dy. Superintendent, S.P.E. would draw samples.
- Do. Matter raised in the 33rd Periodical Meeting of C.O.Ss with D. G. S. & D.
- 25-7-54 Director of Progress (D.G. S. & D.) addressed demi-officially giving full history of the case and to obtain reduction in price for 120 barrels supplied by the firm and asking for his further advice since the barrels did not bear the Facsimile of D.O.I., Kanpur.
- 28-7-64 Director of Inspection, Kanpur advised firm that since the Drums with the consignee did not bear the seal of their office it is evident that they have despatched material which was not inspected and released by him and hence the firm should arrange replacement.
- 5-8-64 Firm refuted the contention of D.O.I. Kanpur stating that since (1) consignee has used part of the quantity and (2) D.O.I., Madras was not in full possession of the details of the cases, they refuse to accept replacement of supplies received without the facsimiles.
- 24-8-64 Director Progress advised that as the matter referred to by the Controller of Stores involved contractual obligation, Director of Supplies should be contacted for further action to whom the letter in original was sent.
- 5-9-64 Firm advised consignee taking exception to Director of Inspection, Madras drawing a sample for retest and sent a copy of consignee's letter of 30-3-64 to D. G. S. & D. New Delhi objecting to the action taken by the Distt. Controller of Stores by retest.
- Even at this stage the firm had not mentioned anything about stability period.
- 27-10-64 Sri Sen Gupta Director Supplies demi-officially addressed by Controller of Stores regarding reduction in rate for the 21 barrels.
- 28-12-64 Further detailed report sent to Director of Inspection, New Delhi demi-officially by Controller of Stores, Southern Railway.
- 30-1-65 Director of Inspection, New Delhi reminded.

- 6-2-65 D.O.I., New Delhi advised COS., Southern Railway that the matter was being dealt with by Director of Supplies who will further advise in the matter.
- 23-2-65 Director of Supplies reminded in the matter.
- 5-3-65 Director of Supplies advised COS, Southern Railway and consignee that the consignee's complaint was lodged in April, 1964 whereas the life period expired on 10-3-64. The D.G.S. & D. also advised COS, Southern Railway that the stability period has since been revised to 12 months.
- 20-4-65 D. G. S. & D. was advised that since the material was released from stores inspected on 5-11-63 (the order itself was placed on 19-11-63) and hence the complaint made on 2-4-64 was within the prescribed stability period.
- 26-5-65 D. G. S. & D. reminded for early settlement of the case.
- 8-6-65 Director of Supplies reminded demi-officially.
- 10-6-65 The sub-standard supplies were discussed at the 35 meeting
11-6-65 of the Controllers of Stores, Railways with the D.G. S. & D. and the Additional D.G. advised that the case would be examined further in the light of the discussions.
- 1-7-65 D.G. S. & D. reminded again.
- 27-7-65 D.G. S. & D. asked for the dates on which the first intimation was sent to the firm or the inspecting officer.
- 31-7-65 D.G. S. & D. reminded again.
- 6-8-65 D. G. S. & D. replied that D.O.I., Kanpur had intimated the firm about the deficiency in his letter of 2-5-64.
- 25-8-65 D. G. S. & D. advised firm with copy to consignee that the stability period expired on 5-5-64 and since first intimation regarding the sub-standard stores was made on 2-5-64 and acknowledged by them in their letter dated 8-5-64 they are responsible to replace supplies and allow reasonable reduction in respect of supplies consumed.
- 25-9-65 Director of Supplies reminded demi-officially COS, Southern Railway.
- 24-11-65 Director of Supplies reminded demi-officially.
- 8-1-66 Firm advised consignee that they have replied D.G. S. & D. on 25-10-65.
- 22-1-66 D.G. S. & D. advised COS, Southern Railway and consignee that the Law Ministry has said that the Director of Inspection, Kanpur's letter to the firm was a mere intimation of defects found out by consignee and was not a rejection and he (consignee) was not competent to ask for replacement.

- 1-7-66 D.G. S. & D. was again addressed giving full history of the case and told that the firm cannot deny moral responsibility and that D.G. S. & D. should take action against the firm as deemed fit.
- 19-7-66 Director of Supplies reminded demi-officially.
- 3-9-66 Director of Supplies reminded demi-officially.
- 31-10-66 R.L.O. was requested to contact D. G. S. & D. and expedite reply.
- 5/7-11-66 R.L.O. advised that D.G. S. & D. were attempting to settle the matter through discussion with the firm.
- 7-12-66 D.G. S. & D. replied COS, Southern Railway demi-officially that the Law Ministry advised that since the supplier was not bound to replace the supplies, the case has been treated as closed by them.

Batch II—Pradhalkunda Supplies

- 12-3-64 Samples out of 180 barrels sent by consignee to Chemist and Metallurgist and the Distt. Medical Officer.
- 25-3-64 Date of receipt of 58 Drums by consignee.
- 30-3-64 Director of Inspection, Madras and Director of Inspection, Kanpur were advised by consignee that the supply received from the firm were not upto specification.
- 8-4-64 Report to D.G.S. & D., Delhi and D.O.I., Madras regarding material not being upto specification.
- 4-5-64 Consignee reminds D.O.I., Kanpur to expedite test results.
- 8-5-64 Firm advised D.O.I., Kanpur with copy to Controller of Stores commenting on the letter of 30-3-64 contesting the rejection.
- 18-5-65 Consignee reminds D.O.I., Madras sending him a copy of firm's letter of 8-5-64.
- 20-5-64 Firm advised Controller of Stores, Southern Railway and consignee that they are deputing their representative to call on them on 25-5-64 for a settlement of the case.
- 20-5-64 D.O.I., Madras informs consignee that he should take up the matter with Director of Inspection, Kulti who has initially inspected the stores.
- 21-5-64 Consignee reports to Controller of Stores, Southern Railway that Inspection notes covering the supply had not been received

- 4-6-64 Consignee advised by Controller of Stores, Southern Railway to freeze all stock as Deputy Superintendent S.P.E. will draw samples.
- 17-6-64 Consignee advises Controller of Stores, Southern Railway that Inspection Notes for this consignment has been received.
- 25-7-64 Director Progress Railway addressed demi-officially giving full history of the case and to take up the matter with D.G.S. & D. for replacement of 238 Drums received.
- 18/20-8-64 Consignee advised firm of the rejection of 238 barrels asking for replacement copy to P.A.O. to recover advance payment and freight charges.
- 5-9-64 Firm advises consignee contesting the rejection and endorsing a copy to D.G.S. & D. Even at this stage the firm had not mentioned anything regarding stability period.
- 11-9-64 D.D.I. Kulti advises consignee and Controller of Stores, Southern Railway that the material was passed only after satisfactory test by D.A.D.G. (M.S.) Medical Stores Depot, Calcutta and hence the supply should be accepted.
- 18-9-64 Consignee reminds Director Progress Railways to take up the matter with D.G.S. & D.
- 24-9-64 Director Progress (Railways) advised consignee, and Controller of Stores, Southern Railway that Director Supplies was dealing with the matter who would be advising directly in the matter.
- 27-10-64 Director Supplies, D.G.S. & D. demi-officially addressed by Controller of Stores for taking up the matter with the firm for replacement.
- 28-12-64 Further detailed report sent to Director of Inspection demi-officially by Controller of Stores, Southern Railway.
- 30-1-65 Director Inspection, New Delhi reminded demi-officially.
- 6-2-65 D.O.I., New Delhi advised Controller of Stores, Southern Railway that the matter was being dealt with by Director of Supplies who will further advise in the matter.
- 3-2-65 Director of Supplies reminded in the matter.
- 5-3-65 Director of Supplies advised Controller of Stores, Southern Railway and consignee that the consignees complaint was lodged in April, 1964 whereas the life period expired on 10-3-64. The D.G.S. & D. also advised Controller of Stores, Southern Railway that the stability period has since been revised to 12 months.
- 20-4-65 D.G.S. & D. was advised that since the material was released from stores inspected on 5-11-63 (the order itself was placed on 19-11-63) and hence the complaint made on 2-4-64 was within the prescribed stability period.

- 26-5-65 D.G.S. & D. reminded for early settlement of the case.
 - 8-6-65 Director of Supplies reminded demi-officially.
 - 10-6-65 The sub-standard supplies were discussed at the 35th meeting
 - 11-6-65 of the Controller of Stores, Railways with the D.G.S.&D. be and the Additional D.G. advised that the case would be examined further in the light of the discussions.
 - 1-7-65 D.G.S. & D. reminded again.
 - 27-7-65 D.G.S. & D. asked for the dates on which the first intimation was sent to the firm or the inspecting officer.
 - 31-7-65 D.G.S. & D. reminded again.
 - 6-8-65 D.G.S. & D. replied that D.O.I., Kanpur had intimated the firm about the deficiency in his letter of 2-5-64.
 - 25-8-65 D.G.S. & D. advised firm with copy to consignee that the stability period expired on 5-5-64 and since first intimation regarding the sub-standard stores was made on 2-5-64 and acknowledged by them in their letter dated 8-5-64. They are responsible to replace supplies and allow reasonably reduction in respect of supplies consumed.
 - 25-9-65 Director of Supplies reminded demi-officially by Controller of Stores, Southern Railway.
 - 24-11-65 Director of Supplies reminded demi-officially.
 - 8-1-66 Firm advised consignee that they have replied D.G.S. & D. on 25-10-65.
 - 22-1-66 D.G.S. & D. advised Controller of Stores, Southern Railway and consignee that the Law Ministry has said that the Director of Inspection, Kanpur's letter to the firm was a mere intimation of defects found out by consignee and was not a rejection and he (consignee) was not competent to ask for replacement.
 - 1-7-66 D.G.S. & D. was again addressed giving full history of the case and told that the firm cannot deny moral responsibility and that D.G.S. & D. should take action against the firm as deemed at.
 - 19-7-66 Director of Supplies reminded demi-officially.
 - 3-9-66 Director of Supplies reminded demi-officially.
 - 31-10-66 R.I.O. was requested to contact D.G.S. & D. and expedite reply.
 - 5/7-11-66 R.I.O. advised that D.G.S. & D. were attempting to settle the matter through discussion with the firm.
 - 7-12-66 D.G.S. & D. replied Controller of Stores, Southern Railway demi-officially that the Law Ministry advised that since the supplier was not bound to replace the supplies, the case has been treated as closed by them.
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APPENDIX VI

Summary of Main Conclusions/Recommendations

| Sl. No. | Para No. of Report | Ministry/Deptt. concerned | Conclusions/Recommendations |
|---------|--------------------|---------------------------|---|
| 1 | 2 | 3 | 4 |
| 1. | 1.15 | Supply (D.G.S & D.) | <p>The Committee notice that 20 out of 96 compressors supplied by the firm were out of commission as on 1st July, 1968, nine of them due to defects for which the supplier has been held liable. The Committee also observe that, against 1200/1500 hours for which machinery and equipment are used in projects in Border Roads, 20 of the compressors had rendered less than 600 hours service and 40 compressors between 600 and 1300 hours as on 1st July, 1968, i.e. nearly two years after the compressors had been supplied by the firm. The Committee would like Government to examine how far the poor utilisation was due to defects in the equipment supplied and how far due to over-estimation of requirements by Director General, Border Roads. The supplier should also be asked to have the defective compressors speedily repaired.</p> |
| | 1.16 | Do. . . . | <p>Another aspect of the case to which the Committee would like to draw attention relates to the capacity of the compressors supplied by the firm. According to the requirements of the Director General, Border Roads, the compressors were required to take a load of three rock drills at specified altitudes. The capacity of the compressors supplied, as first indicated by the firm in their original offer in response to the tender notice, was less than the capacity stipulated by a Technical Committee in the Directorate General, Supplies and Disposals on the basis of this load factor. However, subsequent to the</p> |

opening of tenders, the firm revised the capacity of the compressors and on this basis, apparently they were accepted as conforming to the requirements of Director General, Border Roads. In the light of the reports from the Border Roads Organisation that the compressors were not capable of running three rock drills over sustained periods, the Committee would like Government to investigate whether the compressors supplied by the firm have the capacity actually stipulated in the tender enquiry.

2. 1.21

Do.

The Committee regret to note that, due to a substantial modification of tender conditions communicated to the tenderers nearly one and half months after the opening of tenders and twenty days before their offers were due to expire, and the inability of the Director General, Supplies and Disposals to have the capacity of one of the tendering firms "re-checked", a decision on the tenders could not be taken before their validity expired, with the result that Government had to incur an extra expenditure of Rs. 6.02 lakhs. The modification of the tender conditions was proposed in view of certain difficulties experienced in the supply of the item in the past. The Committee are unable to understand why this was not thought of even before the tender notice was issued. As regards the inability of the Director General, Supplies and Disposals to re-check the capacity of one of the tenderers, the Committee fail to comprehend why, before the tenders were considered, the Director General, Supplies and Disposals did not have a firm capacity report prepared, in accordance with the prescribed procedure.

1.22

Do.

The Committee would like Government to issue instructions to ensure that all the conditions of supply are intimated to the tenderers well in advance and that prescribed procedure in the matter of ascertaining the capacity of the tenderers is strictly and correctly followed.

3. 1.25

Do.

The Committee observe that, after the tender enquiry was issued in this case, the specifications of the stores were changed. However, confirmation from the tenderers that the stores conforming to the changed specifications would be free from chemical damage was not sought from the tenderers till two days

| 1 | 2 | 3 | 4 |
|----|------|-------------|---|
| | | | before the tenders were due to expire. In consequence, a decision on the tender could not be taken before their validity expired, and the stores had ultimately to be purchased at an extra cost of Rs. 1.6 lakhs. The Committee would like Government to investigate the circumstances under which confirmation on a vital point was sought from the tenderers so belatedly. |
| 4. | 1.28 | (D.G.S.&D.) | The Committee are unable to understand why the purchase officer sought to process offers which were not in conformity with tender conditions. As a result, a decision on the tenders got delayed, entailing an extra expenditure of Rs. 32,000. The Committee would like to impress on the Director General Supplies and Disposals, the need to draw up tender conditions with care and to ensure that in processing offers received, deviations from conditions drawn up are not allowed as far as possible. |
| 5. | 1.30 | Do. | The Committee regret to note that, due to delay on the part of the indenter in coming to a decision on the tender referred to him for acceptance, an extra expenditure of Rs. 25,000 was incurred: The Committee would like Government ensure that decisions on tenders are taken within the period for which tenders are valid and that, where the Director General, Supplies and Disposals refers tenders to indentors for clearance before acceptance, the matter is promptly followed up. |
| 6. | 1.33 | Do. | The Committee notice that confirmation sought from the indenter on the acceptability of certain terms offered by a tenderer was received by the Director General, Supplies and Disposals before the tenders expired but that, owing to internal delays, the communication failed to reach the dealing officer in time. |
| | 1.34 | Do. | The Committee trust that action will be taken by Government to ensure that lapses of this type do not recur. |

7. 1.41 Do. . . . The Committee note that Government incurred extra expenditure of Rs. 6.34 lakhs on the purchase certain trailers due to default by a firm on whom the orders were originally placed. The Committee also note that the firm was not registered with the Director General of Supplies and Disposals for the supply of this item. They would like Government to investigate whether the orders were placed with the firm after ascertaining beforehand whether the firm had the requisite capacity to make the supplies as required.

1.42 The Committee observe that the extra expenditure incurred in this case has not been made good by the firm and that the case is being processed for arbitration. The Committee would like to be apprised of the outcome of these proceedings.

1.43 Do. . . . The Committee also note from the information furnished to the Department by the Registrar of Companies that the firm have failed to file their balance sheets for the last two years with the Registrar of Companies, who has taken suitable proceedings in the matter. A scrutiny of the last balance sheet filed by them for the year ending 31st August, 1966 shows that out of their assets totalling Rs. 17.48 lakhs, as much as Rs. 13.94 lakhs are made up of loans and advances. The Committee would like Government carefully to assess in the light of these factors the prospects of recovery of amounts which might become payable by the firm.

1.44 Do. . . . The Committee observe from the information furnished by the Department that the existing procedure for the registration of firms provides for their financial standing being verified at the time of registration with reference to Bank reports, Income tax clearance certificates and the profit and loss accounts for three years. The Committee understand that a review of the position is thereafter carried out triennially. Experience in this case suggests that it might be of advantage for the Director General, Supplies and Disposals to call for the audited accounts of all registered suppliers annually, so that suppliers who have

have defaulted in their statutory obligations of filing their accounts under the provision of Company Law, may not qualify for orders from Government.

8. 1.55 Supply (D.G.S. & D.)
D.G.T.D.

The Committee feel that the delay that occurred in processing this transaction was avoidable. The indent for the stores received by the Director General Supplies and Disposals was referred to the Director General, Technical Development on 15th April, 1966, as the stores were subject to control under the Scarce Industrial Materials (Control) Order, 1965. In accordance with the procedure settled between these two organisations for allocation of stores governed by the Order, the Director General, Technical Development was required on a reference from the Director General, Supplies and Disposals, specifying the particulars of requirements for the stores, to issue a permit in favour of one of the approved stockists. The Director General, supplies and Disposals, was thereafter to place a contract with the stockist. The Committee are unable to understand why the Director General, Technical Development failed to issue a permit after receipt of the reference from the Director General Supplies and Disposals on 15th April, 1966. Instead, he addressed the Director General, Supplies and Disposals on 18th May, 1966, nearly a month after receipt of his reference, for confirmation of his requirements. Even after the confirmation was received on 23rd May, 1966, no action was taken till 10th June, when in reply to a reminder, he informed the Director General, Supplies and Disposals that the Control Order had been repealed. In consequence, the stores had to be purchased from the market at prices much above the controlled prices previously in force. The Committee would like Government to assess the exact loss sustained and to fix responsibility therefor.

9

1.60

Do.

The Committee note that, as a result of delay on the part of the Department in issuing an import recommendation certificate to a supplier for the import

of raw materials required for the manufacture of certain stores, the prices of those materials escalated and Government had to incur an extra expenditure of Rs. 3.15 lakhs. From the information furnished by the Department during evidence, the Committee note that procedures have been devised to ensure that import recommendation certificates are issued by the Director General, Supplies and Disposals, in time. Unfortunately, however, these procedures were not observed in this case. The Committee trust that steps will be taken to enforce the existing procedures rigorously so that costly lapses of this nature do not recur.

10. 1.72

Do. . .

The Committee note that the lowest tender of firm 'A' for one of the items was not accepted *inter alia* on the ground that their performance against various contracts was "generally unsatisfactory." If this was so, the Committee find it hard to understand why Government chose to place an order with this firm for another item covered by the same enquiry for which their offer was in fact not the lowest. The data about the performance of this firm as well as the other two firms 'B' and 'C', with whom orders were placed for the item for which firm A's tender was the lowest, would appear to suggest that the performance of the three firms was by and large comparable.

The Committee would like Government to evolve precise guidelines for the assessment of the comparative performance of the firms, so that decisions on this point are made as objective as possible.

11. 1.85

Do. . .

The Committee note that 131 cases where payments were made to contractors on a provisional basis were awaiting finalisation as on 15th July, 1968. They hope that these will be speedily cleared, so that possible litigation with contractors is avoided as far as possible.

12. 1.103

Do. .
Railways

The Committee note that 2.14 lakh litres of disinfectant fluid supplied by a firm to the Southern Railway and the Medical Stores Depot, Madras, turned out to be sub-standard and could not be used for the purpose for which it was obtained.

The firm could not, however, be compelled to replace the fluid as legal opinion obtained by Government indicated that the supplier was not obliged to replace it. The Committee also note that tests on the fluid conducted at different stages produced varying results and that Ministry of Health suspect that there was "some criminal interference at all stages of tests", apart from possible mis-representation by the firm about the dates of manufacture of the fluid. As the matter is stated to be under investigation, the Committee would like to await the results of the investigation.

1. 104

Do.

Two aspects of the case, however, call for comment at this stage. The chronological account of the developments in the case as furnished to the Committee by the Railway Board suggests that effective action on the complaint was not taken by the Director General, Supplies and Disposals promptly enough. In fact, a year after the complaint was lodged, the Director General, Supplies and Disposals informed the Railways incorrectly that the complaint was not lodged before the expiry of the stability period of the fluid. The Committee would like Government to examine how far the procedure adopted by the Director General, Supplies and Disposals, in processing the complaint was instrumental in frustrating Government's claims against the firm for the deficiencies in the supply. The Committee also notice that the Railways on their part asked the Director General, Supplies and Disposals to procure 18 months' requirements, without specifically considering that the stability period of the fluid was only six months. The Committee note that the specification for the fluid has since been revised to 12 months. They hope that in future the Railways will ensure that supplies are not indented for at any one time for a period in excess of the prescribed stability period of the fluid.

13.

2. 12

Do.

The Committee note that an agreement executed by the India Supply Mission with a firm of shipping agents, which in the normal course would have run upto.

23rd September, 1967, was prematurely terminated by Government with effect from 31st March, 1966, on an *ex-gratia* basis, to save losses to the firm. In the result, Government incurred an extra expenditure of £ 19,320 by way of remuneration to a new firm who were appointed as shipping agents. Further, as the appointment of the new agents could not be synchronised with the termination of the agreement with the old agents, the old agents had to be asked to continue for the interregnum on payment of a sum of £ 5,045, which would have been avoided had the agreement executed with them continued to be in force. The Committee also understand from Audit that the termination of the agreement gave rise to a claim for the revision of an agreement executed by the Ministry of Transport with one of their overseas agents which had also to be agreed to.

2.13

Do.

The Committee consider it unfortunate that Government should have come to a decision on the termination of the agreement without fully weighing the consequences of the decision. What the Committee find hard to understand is why Government committed itself to the termination of the agreement, before even tenders for the appointment of the new agents had been called. Government were, hardly in a position to assess what the cost of their commitment was going to be. Government have stated that they agreed to the termination on the "equities of the case", but it is not clear how a decision in this regard could be arrived at when the firm did not agree "even to make their books available for checking the losses." The Committee cannot resist the impression that, in arriving at a decision to terminate the agreement, the interests of Government were not adequately safeguarded.

22

14 3.1

Do.

The Committee have not made recommendations/observations in respect of some of the paragraphs of the Audit Report (Civil), 1968, relating to the Department of Supply. They expect that the Department will none-the-less take note of the discussions in the Committee and take such action as is found necessary.

| Sl. No. | Name of Agent | Agency No. | Sl. No. | Name of Agent | Agency No. |
|--------------|---|------------|------------------------------------|--|------------|
| DELHI | | | 33. | Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1. | 68 |
| 34. | Jain Book Agency, Connaught Place, New Delhi. | 11 | | | |
| 35. | Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi. | 3 | 34. | People's Publishing House, Rani Jhansi Road, New Delhi. | 76 |
| 36. | Atma Ram & Sons, Kashmere Gate, Delhi-6. | 9 | 35. | The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi. | 88 |
| 37. | J. M. Jaina & Brothers, Mori Gate, Delhi. | 11 | 36. | Hind Book House, 82, Janpath, New Delhi. | 93 |
| 38. | The Central News Agency, 23/90, Connaught Place, New Delhi. | 15 | 37. | Bookwell 4, Sant Naran kari Colony, Kingsway Camp, Delhi-9. | 96 |
| 39. | The English Book Store, 7-L, Connaught Circus, New Delhi. | 20 | MANIPUR | | |
| 40. | Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi. | 23 | 38. | Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal. | 77 |
| 41. | Bahree Brothers, 188 Lalpatrai Market, Delhi-6. | 27 | AGENTS IN FOREIGN COUNTRIES | | |
| 42. | Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi. | 66 | 39. | The Secretary, Establishment Department, The High Commission of India India House, Aldwych, LONDON W.C.-2. | 59 |

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